



Worsening economic crises put Government under pressure

The Government's troubles multiplied yesterday, with public sector unions breaking through the pay guidelines or announcing strikes, and ICI suffering collapse of profits. And, with the latest forecast indicating that any alleviation is at least two years away, MPs of both the main parties turned to the Chancellor [page 2]. The water industry provided what seemed an important breach of the pay policy when

most of the employees accepted a rise that will add 12.3 per cent to the wage bill. Leaders of the nine Civil Service unions, insisting that the Government's 7 per cent pay offer must be improved, ordered a one-day national strike, to be followed by other disruptions. In the private sector, Britain's largest company, ICI, said that economic conditions had forced it to cut its dividend for the first time since 1938. Also yes-

terday, the National Institute for Economic and Social Research issued figures indicating that the Government's spending and money supply objectives are now unattainable and that recovery is still two years away [page 23]. Tory and Labour MPs put Sir Geoffrey Howe under heavy pressure in the Commons to offer Britain's hard-pressed industries some sort of relief.

ICI profit slumps in its worst trading year since the 1930s

Ronald Pullen, John Huxley, the private sector has derided its latest warning that the Government's economic strategy is crippling British industry. Imperial Chemical Industries, the country's largest company and one of its most successful, announced yesterday that it had been forced to cut its dividend for the first time since the Second World War because of the harsh trading environment, the strength of the pound and high interest rates. ICI's annual figures for 1980, closed that the company made a loss in the second half of the year. Last October group profit slumped from £136m to only £73m, a 47 per cent drop. The group's 84,000 employees are being urged to forgo a profit-sharing bonus for the first time in 25 years. This is a discretionary payment, said Maurice Hodgson, the chairman, said yesterday that

Civil Service unions start action with one-day strike on March 9

By David Felton, Labour Reporter
Union leaders in the Civil Service gave the Government formal notice yesterday that a one-day national strike would be held next month, followed by a campaign of "guerrilla" industrial action. The effects could include disruption of Budget arrangements, disruption of security operations and the halting of tax computers. The leaders of the nine unions, representing 530,000 white-collar staff, were buoyant after a ballot result from the First Division Association of 8,000 moderate top civil servants, which showed a narrow majority in favour of action. With all unions now in agreement on action if the Government does not improve its 7 per cent offer and give a firm commitment on an orderly pay bargaining system for next year, some union leaders were predicting a long battle. The unions have told the TUC of their decision and have received promises of support from the half dozen biggest affiliated unions, which will mainly take the form of instructions to their members not to cross picket lines. The Civil Service unions have committed funds of more than £3m to finance the campaign, which is expected to cost about £500,000 a week. Staff called out on strike or suspended by the Government will receive 85 per cent of their gross pay.



Mrs Thatcher and President Reagan at the White House yesterday.

Mr Reagan praises British role

From David Cross, Washington, Feb 26
Citing Mrs Margaret Thatcher's warning that the 1980s would be "a decade fraught with danger", President Reagan pledged today that Britain and the United States would "stand side by side" in defending freedom. "So long as our adversaries continue to arm themselves at a pace far beyond the needs of defence, so the free world must do whatever is necessary to safeguard its own security," the President said. "A stronger, more vigorous Nato must be the background of that security and of our efforts for equitable arms control." With these rousing words, Mr Reagan welcomed the British leader to three days of meetings in Washington and New York at a lavish, colourful ceremony of the kind not seen in the American capital for the past four years. Former President Carter, disapproved of many of the trappings of the traditional ceremonies for greeting heads of governments and states, but Mr

Unions hail water deal, but strikes intensify in the North

Our Labour Staff
Union leaders were closely tuning yesterday what seemed to be a breach of the Government's public sector pay policy in the water industry, as northern England deunion instructions to call their unofficial action. The four water industry unions, representing 32,000 manual workers, hailed the deal, which they expect to be accepted by their members, as roughly equivalent to the 13 per cent 10-month settlement reached by the miners. Three telephone conversations between Sir Robert Marshall, chairman of the water

council, and Mr Tom King, Minister for Local Government and Environmental Services, persuaded the employers to increase the offer and avoid a damaging national strike. Sir Robert telephoned Mr King late on Tuesday evening to tell him that the employers were split. Mr King called Sir Robert early next morning, shortly before the unions were due to start their joint meeting. It appears there was a second call from Mr King to Sir Robert while the union meeting was in progress and moving towards a strike decision. The minister urged the employers to reach a settlement.

The unions were within minutes of a formal vote on calling a national strike when Mr Edmund Newall, chief union negotiator, spoke on the telephone to Mr James Dickens, the employers' industrial relations chief, and was offered further talks which eventually led to the deal. Under the £20.3m deal average earnings in the industry will rise from £108.49 to £122.30 a week, an increase of 12.3 per cent. About 500 water and sewerage workers in the North were taking unofficial strike action last night. The most serious effects were felt in the North-east, where about 220 workers said they would stay on strike unless they received substantial increases. In Lancashire about 200 workers, stayed on strike and were joined by 50 workers in the Preston and Bolton areas. Mr Stephen Braithwaite, a district officer for the General and Municipal Workers' Union, said: "The men are not happy with the pay offer and there is a general dissatisfaction at the way negotiations have been handled."

'Observer' takeover requires minister's consent

Government and Lorch are in agreement the company's acquisition of control of Observer requires the consent of the Secretary of State for Trade. Lord Dunsany, Lorch's chairman, discussed the matter with the Department after Labour MPs called for debate. Lorch firmly denied that the newspaper would be controlled from Glasgow or from London. Journalists voted to approve takeover provided firm guarantees were in editorial independence. Page 2

B goes on the air

Citizens band radio service has been sanctioned by the Government. The Home Secretary said that the new personal two-way service will be in the autumn, but users will have to wait. The frequency selected, 27 MHz FM, will give CB enthusiasts what they want, but MHz AM equipment now being used would be illegal. Page 2

Postmen's plea answered

Letters that will allow postal deliveries at despatch letters will bring comfort to men threatened by fierce dogs. Mr Charles Price, Labour MP for Manchester, Openshaw, at the committee stage of the telecommunications Bill that every year 4,250 postmen were mugged by dogs while delivering mail. He urged all use of the new service. Page 2

Rude mail tampering

Tutory controls on the interception of letters urged in a clause to the Telecommunications Bill moved by Mr Kenneth Teetzel, Labour MP for Ipswich. The practice was so crude he said Inspector Clouseau-type blunders were a year connected with political groups as tampered with in London. Page 4

The Pope says Mass for 48,000 in Nagasaki

The Pope has left Japan for Rome ending a four-day visit hailed by the Japanese press as a triumph. Earlier, he celebrated an open-air Mass in driving snow and gusty wind in Nagasaki, a Roman Catholic stronghold. It was attended by 48,000 faithful, more than 600 of whom fainting in the bitter cold and were taken to hospitals. Page 8

Bhutto widow arrested

Begum Nusrat Bhutto, widow of the former Prime Minister of Pakistan, has been arrested in Lahore along with other leading opposition politicians. They had been at a meeting of the newly-formed Movement for the Restoration of Democracy which was organizing a campaign to end martial law in Pakistan. Page 8

BBC fights jamming

The BBC is going for a deeper penetration of the Soviet Union with its external services broadcasts in an attempt to counter the jamming of the Russian language transmissions. It is also launching a new service in Pushur, a language spoken by about 18 million people in Afghanistan. Page 7

Spain still apprehensive

Señor Calvo Sotelo was sworn in as Spain's Prime Minister as investigators sought to lay responsibility for Monday's abortive coup. Some apprehension is still noticeable and mass demonstrations have been called in support of democracy. Señor Adolfo Suárez, the outgoing Prime Minister, has been made a duke. Page 6

Jail crisis: Emergency measures brought in to deal with prison officers' dispute will be allowed to lapse. Colombia: A Special Report on one of Latin America's few democracies. 17-21 Classified advertisements: Personal, pages 12, 13, 30; Appointments, 12; Car buyers' guide, 13

Midnight mass shootings have become almost routine in El Salvador

From Michael Leapman, San Salvador, Feb 26

Shortly after midnight last night seven people, including two teachers, a court official and a bank manager, were dragged by gunmen from their homes at Tonacatepec, a township five miles north of here. Two hours later their neighbours heard shots and at daybreak the seven bodies were found in the road outside. This sort of thing is almost routine in El Salvador, the small, crowded and historically vicious republic where President Reagan's Administration has chosen to draw the line against creeping communism in central America. Scarcely a day passes without at least one such incident.

The gunmen are never caught but the style of the killings bears the hallmark of ORDEN, a right-wing, terror group officially banned but still highly active. The victims were intellectuals, presumably suspected of links with the leftist guerrillas trying to overthrow the centre-right junta. Last year more than 13,000 people died as victims of terrorism from the right and left. The rate is being sustained this year.

In some parts of the country, especially those remote from the capital where it is hard to exercise control, people are so terrified by the marauding executioners that they have abandoned their homes and fled to refugee camps. Some camps hold more than 1,000 people, mostly children, and lack adequate food and clothing. In these areas, it is hard to distinguish the right-wing guerrillas from the regular Army and National Guard personnel. They ride around in open lorries, some in uniform and some in civilian clothes, instilling fear into the populace. In the mornings, bodies are found by the roadside, some with their heads severed.

The Soviet Union are giving arms and support to the leftist guerrillas. The new order in Washington sees these matters in totally different terms. "We have clear evidence," Mr James Brady, President Reagan's Press Secretary, said "of catching the communists' hands in the cookie jar". El Salvador is an agricultural country, dotted with extinct volcanoes whose five million people are emerging painfully from years of autocratic military rule. The present Junta was formed in 1979 after General Romero was ousted from the Presidency. Under President Carter, American policy was to encourage liberal reforms, notably the turning over of large agricultural estates to the peasants.

The reforms angered the right, the wealthy supporters of the old dictatorship. Much right-wing violence has been devoted to destroying the co-operative farms which had been established on the old estates. At the same time the changes were not radical enough to appease the left, whose guerrilla operations intensified last year, culminating in what was to have been the final offensive last month. It failed to bring down the Government, mainly because the guerrillas did not rally to the guerrillas as they had expected. Most people simply want the violence from both sides to stop; a forlorn hope.

Attacks from the left are directed against structures more than against people. Power cuts are frequent as pylons and substations are blown up. Bridges have been destroyed in the north-east. Here in the capital, there have been bomb attacks on offices, mainly American-owned. American tactics under President Reagan were dramatized by the dismissal of Mr Robert White, the United States Ambassador, who was thought to be pressing the junta too hard towards reform. The new emphasis is on giving them effective military support rather than trying to make them better people.

Guyana ban threatens England tour

From John Woodcock, Georgetown, Feb 26

Clouds of uncertainty hang over the England tour of the West Indies, because of the stand being taken by the Guyanese Government over El Salvador's cricketing connections with South Africa. The Guyanese are saying that Jackman must not play in their country; the England management, who have been in touch with Lords and with the Foreign and Commonwealth office through the British High Commission, are insisting upon a free choice when they sit down to pick their side for the second Test match, scheduled to start here on Saturday.

Jackman has been a regular visitor in Southern Africa, having played cricket for Western Province in the early 1970s and for Zimbabwe later years. He is not alone in that: Blairgowrie captain Grigall and Robin in the winter of 1977-78. Boycott, Gower, Gooch and Downton have all played in South Africa. It is this Glenageary "accord", as they call it here, which the Guyanese Government are citing. They have done so before when prohibiting sportsmen with South African contacts from playing in Guyana. Some years ago one of the England sides had to withdraw from playing here because some of them had toured South Africa.

The view of the British Foreign Office that the Glenageary agreement does not apply in the present instance was communicated this morning to the British High Commissioner and in turn to Mr Alan Smith, manager of the England team. Should the Guyanese government stand firm on Jackman, Saturday's Test match is unlikely to take place and a decision will have to be made whether to abandon the tour or to go to Barbados, Barbados and Guyana are federated for cricketing purposes, but are separate countries, politically independent of each other.

Jamaica, 1,000 miles by sea from here, is another independent country which in the past (that is under Mr Manley's government, not Mr Seaga's) has taken a strong line on sportsmen with South African links. Jamaica, which should stage the fifth Test match in April, are known to be monitoring the situation. In 1968-69 England cancelled a tour of South Africa because of the ban imposed by Mr Vorster's Government on Basil d'Oliveira. Now, as then, they are unwilling to be dictated to as to whom they may play. I have reason to believe that the Guyanese government have become increasingly keen in the last 24 hours not to forfeit the Test match.

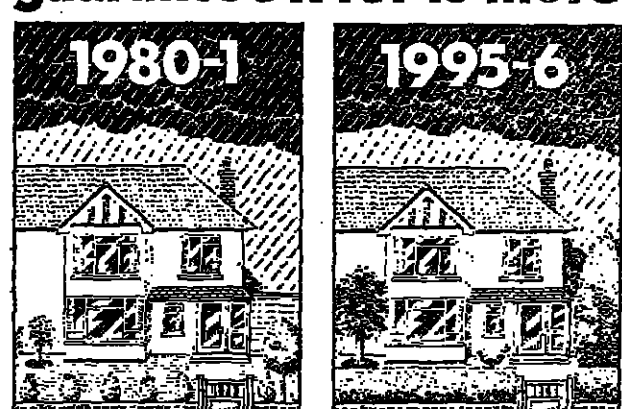
Britons' departure from Iran delayed again

From Tony Allaway, Tehran, Feb 26

Three Britons released from Iranian prisons last week, failed for the second day to fly out of Iran. But this time there was a simple, if rather astonishing explanation. They missed the aircraft. The three Anglians, Dr John and Dr Audrey Coleman and Miss Jean Waddell, were supposed to have boarded an aircraft for Dubai after failing to leave on a Paris flight yesterday. Instead they spent a second night as "guests of the Foreign

Ministry." The three had previously spent six months in prison as suspected spies. There is still no explanation of yesterday's delay and today's seemed somewhat difficult to accept. Two Swedish diplomats who went to the airport this morning, apparently confident that the three would be able to leave, said they had been misled by Iranian officials into thinking the aircraft would take off an hour later than the scheduled time. Opposition MPs defiant, page 7

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many of life's little luxuries are.

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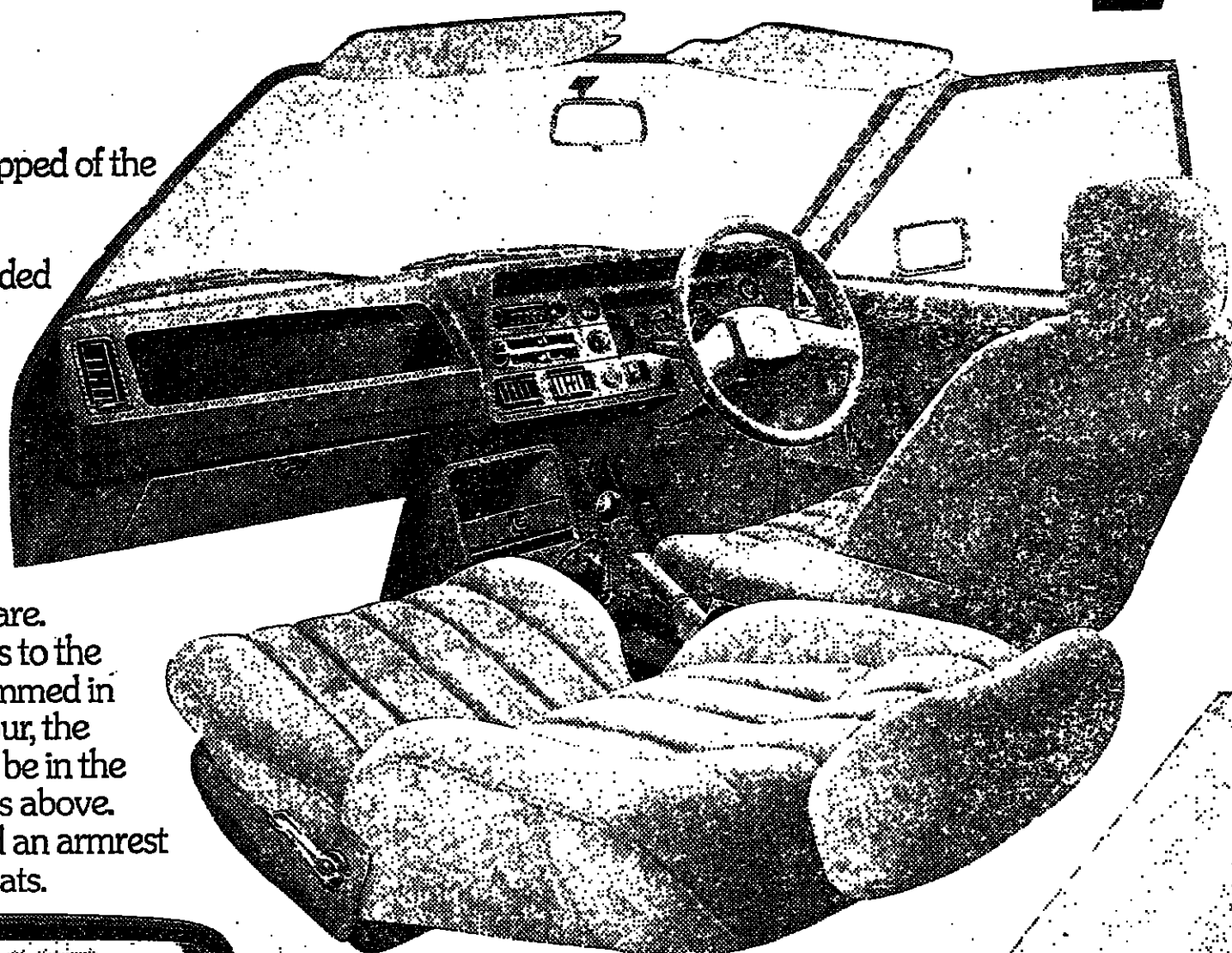
We've also added an armrest between the front seats.

It incorporates a glove box, a handy place to keep change for parking meters.

Another new feature is a remote control driver's door mirror.

In fact, the Granada is packed with little touches like these that all make life just a shade more comfortable.

Every time you drive it you'll be impressed by the thoroughness of its design. Not to mention its effortless, silent power.

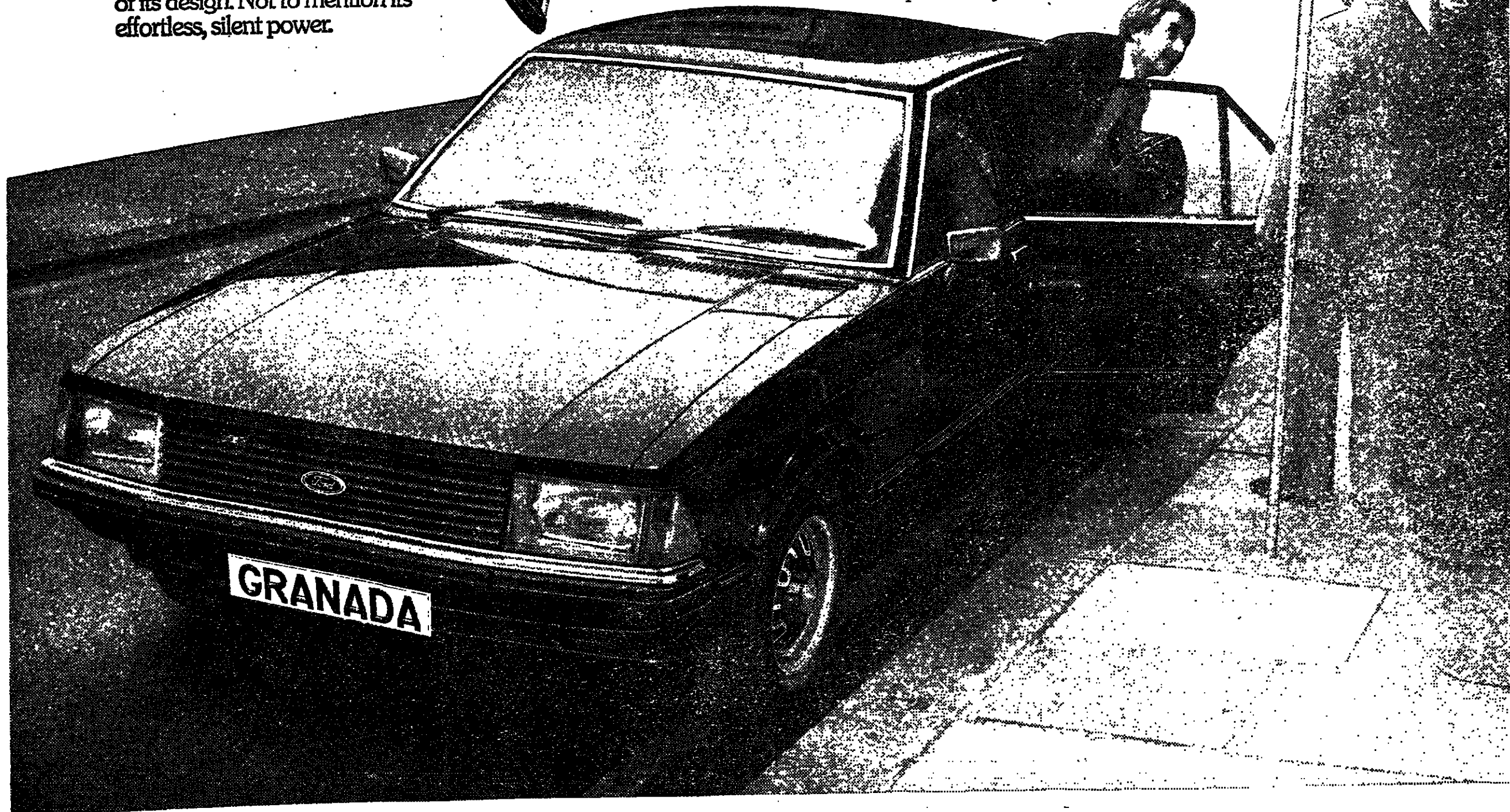


The Granada 2.0 litre L still costs only £6179*. So why not drop in to your local Ford dealers and arrange for a test drive.

While you're there you should have a look at the 'Added Value' Fiestas.

One of those would make a super little second car for a Granada owner.

The Popular only costs £2849*!



Here's what we've added to other Granadas without adding to their prices.

Granada GL. Plus: Durham/velour upholstery from Ghia. From £7588* for the new 2 litre saloon. There is also a new 2 litre estate.
Granada Ghia. Plus: bodyside pinstripe, new Chatsworth/velour trim, rear seat head restraints in the saloon. Still from £9582*.

Ford gives you more.



*Maximum prices as at 21st January 1981. Seat belts, car tax and VAT included. Delivery and number plates at extra cost.

HOME NEWS

Authorities have blank cheque for opening political mail, MP says in urging curbs on scrutiny

By Patricia Tisdall

Allegations that interception and copying of mail is so commonplace that "crude and blatant mistakes" occur were made during the committee stage of the Telecommunications Bill in the House of Commons yesterday.

Moving a new clause that would introduce statutory controls on interception of letters, Mr Kenneth Weetech, Labour MP for Ipswich, said that such surveillance was at least as common as telephone tapping.

There was evidence that at least 400 letters a year connected with political organizations were tampered with in London alone, he said.

"If the public is under any illusion that every letter that is intercepted is on proper authority of the Home Secretary, then they will believe anything."

A network for intercepting letters existed in Britain, he said.

At every post office there was a list of cards, regularly updated, with details of every group whose mail the Special Branch, M15 or other requesting agents wanted to intercept.

Those letters were specially sorted and there was a fleet of motor cycles standing by at postal headquarters in St Martin's-Le-Grand, in London, to take them to the corporation's special investigation division.

Inspector Clousdale-type blunders were made, Mr Weetech said. The Freedom Bookshop, in

Stepney, east London, found a batch of six letters that had been delivered to it in 1972; he showed the receipt to the committee.

Mr Jim Huggon, who is responsible for the bookshop, part of an anarchist publishing group, confirmed later that the receipt had been found.

There was no "hard evidence" that the shop's mail, mainly concerned with book orders and general inquiries, had been tampered with since then, Mr Huggon said. While there were inevitably suspicions about mail that had been opened and officially revealed because of "damage in transit", use of methods such as X-rays means that it was impossible to detect interference.

Mr Weetech described to the committee some of the instruments used secretly to scrutinize mail without leaving traces.

They included a device like a spinning needle inserted in envelopes to photograph the contents, and carbon scanners that picked up ink traces through envelopes so that a letter could be read.

The new clause, which would ban all interceptions except for detecting serious crime, terrorism and espionage, is similar to that proposed to control telephone tapping.

Mr Weetech said that organizations like the Special Branch

and M15 and possibly unauthorized groups had a blank cheque for opening mail for purely political reasons.

"If you are to the left of the Labour Party or to the right of the Tory party, then there is a high probability that you will be investigated in some shape or form."

Tampering with letters was at least as prevalent as telephone tapping, he said.

The Home Office is opposing legal controls on interception of mail.

A statement from the Home Office read out by Mr Kenneth Baker, Minister for Industry and Information Technology, opposing the clause, said it was unnecessary because a warrant from the Secretary of State was needed before mail could be legally intercepted under existing legislation.

In addition there was a risk of helping criminals because secrecy could not be maintained if the courts were able to inquire into individual circumstances.

Like the clause on telephone tapping, the proposed measure will be debated again at the Bill's report stage.

Mr John Gorst, Conservative MP for Barnet, Hendon North, who had swung the committee's vote in favour of the earlier telephone tapping amendment, abstained yesterday, but he said the principle behind the clause was essential.

Hope of victory over phone tapping

By Frances Gibb

A Conservative backbencher said yesterday that he was quietly confident of mustering the necessary support among Tory MPs to defeat the Government in its resistance to statutory controls on telephone tapping.

Mr John Gorst, MP for Barnet, Hendon North, believes he can find the 20 or so Tory MPs needed to ensure that the Labour-sponsored clause on tapping remains in the Telecommunications Bill.

It was Mr Gorst's backing for the clause that brought about the Government's defeat at the Bill's committee stage. The Government has declared its

intention to reverse the defeat at the report stage.

But fears were expressed yesterday from within the 125,000-member Post Office Engineering Union, which backs the clause, that the timing of Lord Diplock's report on telephone tapping, to be published next Tuesday, is an attempt to deflect support for the legislation.

Mr Roger Darlington, assistant research officer at the union and author of its report, "Tapping the Telephone", which provides the material for the clause, said: "The Diplock report is part of a parliamentary struggle to avoid any law on telephone tapping."

The union's report, published last summer, expressed concern over the range of unofficial tapping, which is not covered by Lord Diplock's review, and also at the lack of legal safeguards and legal remedies against abuses in official tapping.

Mr Darlington said yesterday that the clause, which was supported by Mr Gorst in principle but not in all details, might be whittled down with a view to getting more Conservative support.

He wants the clause amended so that tapping can be allowed for "subversive", as well as "terrorist" and "espionage", activities.

Cardinal Hume opens an investigation into the activities of Opus Dei

By Dan van der Vat

Cardinal Hume, the Archbishop of Westminster, has instituted an inquiry into the role of the secretive organization, Opus Dei, in the church in England, it was disclosed yesterday.

Dr John Roche, a former senior member of the organization and an Oxford don, went to Archbishop's House yesterday at the Cardinal's request to hand a collection of confidential documents to one of the Cardinal's advisers.

An official at Archbishop's House said that Cardinal Hume had also asked Opus Dei to supply him with documents. The official confirmed that Dr Roche had complied with the request to produce his papers. It was Dr Roche's concern

about Opus Dei's recruitment of teenagers and the psychological pressures he claims it applies to its members that led him to show his documents to *The Times*, which published its findings on the organization last month. Other news organizations have since taken up the subject.

Dr Roche's documents include copies of *Cronica*, a publication

restricted to senior members of Opus Dei, which Roman Catholic theologians consulted by *The Times* found to be theologically questionable. He also handed in letters he has received since the original article appeared from individuals about the experiences of themselves or their children in Opus Dei.

Opus Dei was founded in Spain in 1928 and claims a

worldwide membership of more than 70,000, nearly all lay people.

A minority who constitute its highest level of membership, the full-time "numeraries", are required to mortify themselves by wearing an abrasive chain on their thighs for two hours a day and applying a multiple-whipped whip to themselves once a week.

Courage group and Bacardi agree drink pact

A peace formula was reached in the High Court yesterday by the makers of Bacardi rum and the Courage brewing group over the alleged substitution of Courage's own brand of white rum, Dry Cane, when public house customers ordered Bacardi.

Mr Charles Sparrow, QC, for Bacardi, told Mr Justice Whitham that an agreement had been worked out. Under it, four companies which operate the Courage-managed chain of 1,600 public houses gave an undertaking not to supply any other product in response to an order for Bacardi or Bacardi rum without explanation to, and assent by, the customer.

Bacardi undertook that if they learn of any case of alleged substitution they will give written notice with sufficient particulars to the manager of the public house concerned and to Courage's solicitor, and will give Courage reasonable assistance in the investigation of any such cases.

The undertakings will remain in effect until a full hearing of Bacardi's action against the Courage group. Earlier, Stanley Brodie, QC, for Courage, said it had always been Courage's policy to set their face against substitution, not only in relation to Bacardi but generally.

In brief

Cathedral arches to be repaired

Work is to begin shortly on repairing the flying buttresses arches on the medieval chapter house of Lincoln Cathedral, which have been damaged by heavy traffic.

Concern about cracks in the arches caused by vibration was expressed in a letter to *The Times* last summer signed by the Director of the British Museum and the former Archbishop of Canterbury, among others. The city council has since agreed to a permanent ban on vehicles over three tons on the road past the east end of the cathedral.

QC to lead defence of Peter Sutcliffe

Mr James Chadwin, QC, of Newcastle upon Tyne, will lead the defence of Peter Sutcliffe, the Bradford lorry driver who is charged with the murder of 13 women and the attempted murder of seven others. Junior counsel will be Mr Sydney Levine, of Bradford. Mr Harry Gifford, QC, and Mr John Hitchen will appear for the prosecution. No date has been fixed for the trial.

Widow to get £126,000

Mrs Gillian Edison, a widow, of Ellison Street, Bracebridge, Lincolnshire, was awarded £126,000 agreed damages in the High Court yesterday against Humberstone Sea and Land Services Ltd, of Loughborough, for the loss of her husband, a crane driver, who died from burns after an explosion at work.

PC murder bid charge

Stuart Blackstock, aged 26, of no fixed address, and Leslie Cooke, aged 21, of Elm Tree Avenue, Northolt, west London, were committed in custody by magistrates at Uxbridge yesterday for the alleged attempt to murder a London policeman, Philip Olds.

Building control plans

Mr Michael Heseltine, Secretary of State for the Environment, announcing publication of the Government's proposals for building control yesterday, said they were designed to produce clearer and more usable regulations.

Man found hanged

Police investigating the death at his flat in Hove, East Sussex, of Mr Nigel Weeks, aged 27, son of Mr Alan Weeks, the television sports commentator, who was found hanged, said yesterday there were no suspicious circumstances.

Youth dies in cliff fall

Martin Palau, aged 16, of Lough Road, Ealing, west London, died on Wednesday after falling from a cliff-top path at St Genys, near Bude, Cornwall, it was disclosed yesterday.

Oil slick plea

Oil leaks from the German ferry, *Ems*, which sank off the Dutch coast last month, have killed hundreds of sea birds. The Royal Society for the Protection of Birds has asked the Department of Trade to neutralize the hazard.

Anxious fortnight ends in solvency

How water authorities swam with the tide

By Christopher Warman

The last two weeks have been an anxious time for the nine English regional water authorities, beginning with the announcement of a government settlement for their proposed charges for the coming year and ending with a pay settlement for their 32,000 manual workers substantially above their wishes.

The two events combined might have left the authorities in a state of disarray, if not near bankruptcy, but for various reasons they have emerged relatively unharmed and in good spirits.

The Thames Water Authority, the largest of the nine, said confidently last night: "We will take it in our stride."

The pay settlement, a 12.3 per cent increase, compares with the employers' first offer of 7.9 per cent and the subsequent offer of 10 per cent. Authorities are always reluctant to close the allowance in their budgets for wage increases, but it is certain that most would have budgeted for an increase of about 10 per cent, if not more.

When the Anglian Water Authority met on Wednesday to consider reductions in the budget, they were told that an increase in "high single figures" had been anticipated, but that the higher pay agreement was manageable.

The reason is that water is a capital intensive industry, and the wage bill, although important, is only a small part of the total costs.

The settlement adds £20.3m to a wage bill of £164m, a small sum compared with the industry's total revenue expenditure, which was £1,500m in 1979-80.

For Thames, which has set a budget of £409m, each 1 per cent on the wage bill means an extra cost of £600,000. The settlement will therefore cost

more than £1m more than a 10 per cent agreement would have done, but the authority has made its calculations and does not envisage any further adjustment.

North West allowed £63.4m for wages in its £276.5m budget, compared with £58m last year. In the same period its balances have been reduced from £13.9m to £3.2m, which leaves little room for manoeuvre.

"It is going to be very tight, and the extra will have to be recovered from the consumer in the future," the authority said. The settlement meant the authorities have had to reduce their charges at the Government's request after Mr Michael Heseltine, Secretary of State for the Environment, sent in a series of independent accounts to identify areas where savings could be made.

That came after complaints, especially from industry and commerce, about the proposed increases, ranging from 14 to 28 per cent.

As a result of the exercise the range of increases is now from 12 to 19 per cent, but that is not simply the result of savings. In most cases the accountants reported that they could see little scope for savings, but asked for them nevertheless.

Anglian was told to cut operating costs by £2m. It was in fact the Government that allowed the authorities to propose lower charges, by relaxing its rules on newly introduced current cost accounting system and easing the financial targets.

Thus, Anglian has been able to reduce its rate increase from 19.8 to 12.4 per cent, mostly with government help.

Mrs Margaret Thatcher congratulated the water authorities in the House of Commons on Tuesday for reducing their charges.

What she did not say was that the Department of the Environment had got its sums wrong.

Bacon prices cut by Danish and British suppliers

By Hugh Clayton

A bacon war broke out yesterday as Danish and British suppliers cut prices. The Danish Bacon Factories' Export Association, which supplies 43 per cent of the bacon eaten in Britain, cut its wholesale price of bacon sides by about 2p a pound and F&M, the largest British curer, reduced its price by 1p.

Mr Svend Bernsen, managing director of the Danish association, said: "The consumer should benefit from the severe competition in the bacon market. We decided to reduce our price because many of our competitors have been giving substantial discounts on their official prices."

The latest survey of shop prices from the Meat and Livestock Commission shows that some cuts of roasting pork cost the same as a year ago.

Doctor says he would leave addicts to die

From Our Correspondent

A doctor has written in the Manchester University magazine, *Communication*, that he believes drug addicts and distributors should be put on uninhabited islands, supplied with their drug needs, and allowed to die.

Dr Henry Ashworth, aged 60, who has been in general practice in the Ardwick district of Manchester for 30 years and is a lecturer in the Department of Medicine at the university, said in the article: "I would put them on an uninhabited island off the coast of Scotland, supply them with their drugs, and there they would live until they died."

"The treatment success rate is dismally low and, at any rate, it would stop them infecting other members of the community with their pernicious habits."

Phantoms to be phased out in RAF economies

By Arthur Reed

Air Correspondent plans to bolster Britain's air defences in the late 1980's by keeping in service three squadrons of McDonnell Douglas Phantom interceptors have been dropped because the scheme would be too expensive in money and manpower.

The idea was to have the Phantoms flying alongside the initial squadrons of the 165 air defence versions of the Tornado multirole aircraft which the Royal Air Force has on order.

But the cost of keeping three Phantom squadrons in service, instead of phasing them out as

the Tornado arrives, would be as high as £60m.

The main costs would come from modernizing the Phantom's weapons and electronics systems and keeping its ageing airframe and engines in front-line condition, a process that is proving increasingly expensive.

A plan to establish a third Squadron of British Aerospace Lightning interceptors to join the only two in the RAF, both established at Binbrook, Lincolnshire, has been dropped in an effort to reduce the defence budget by £200m next year.

The Lightnings are, however, to be kept at Binbrook as a

"shadow" squadron to be activated when necessary. Some are used for training. It would take about two weeks to work the squadron up into a state of high readiness.

In a further effort to plug the gaps in Britain's aviation defences, experienced jet pilots who are at "flying desks" in administrative jobs will be sent back to squadrons periodically to keep up their experience so that in an emergency they could move quickly back into the front line.

The difficulty arises in finding them sufficient spare flying hours when the RAF is forced

to reduce the time each pilot spends in the air, as part of the service's economy drive.

RAF pilots are reduced to flying only 17 hours a month, from 22 hours previously, and observers of the Service wonder whether such a low figure will suffice to maintain safety standards.

Other recent cuts imposed on the RAF have reduced the number of Shackleton early warning aircraft, so that only three or four will be operational on any one day. Spectators are due to be replaced by the jet-powered Nimrod in 1983-84.

Marshland drainage threat to Broads

By John Young

Planning Reporter

The Broads Authority is to decide today whether to endorse the drainage of nearly 3,000 acres of grazing marshland near Great Yarmouth.

The authority has designated the area, Halvergate Marshes, as of exceptional landscape significance, and its principal adviser is opposed to the

scheme. But its strategy committee has recommended approval.

Conservationists fear not only that the landscape will be irrevocably changed, but also that the scheme will strengthen the case for a barrier across the River Yare to prevent salt water flooding arable land. The Nature Conservancy, which fears a threat to the whole character of the Broads, is opposed to the barrier, but doubts

have been expressed about the authority's ability to influence the decisions of local land drainage committees.

The Council for the Protection of Rural England yesterday drew attention to the cumulative effect of drainage schemes, not only on the Broads but also on areas such as Amberley Wild Brooks, in West Sussex, the Somerset Levels and the Ribblesdale, in Lancashire.

Royal College of Art's new rector

Professor Lionel March, professor of design at the Open University, is to become rector of the Royal College of Art, succeeding to Sir Richard Gwyatt, who retires at the end of the summer.

The college's student union said last night it was confident that Professor March would give the support needed to face up to the Department of Education and Science.

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HOME NEWS

Downward trend in Anglican church membership reversed

By Clifford Longley
Religious Affairs Correspondent

The Church of England appears to have entered a period of steady growth, reversing a long-term downward trend in numbers, according to the latest membership statistics, published today.

Figures for 1978 published last year indicated that the church was beginning to reverse its long-term decline, although the figures for the past two years have shown a temporary upturn which is not yet a trend.

The 1979 figures not only continued the 1978 story of recovery, but also showed almost all the indices of church membership and practice moving upwards together.

There was a 12 per cent increase in baptisms over the year, a 5 per cent increase in Christmas communicants, a 2.3 per cent

increase in membership of electoral rolls; and a 1 per cent increase in regular Sunday church attendance, which was estimated as 1,254,000.

The statistics, published as an appendix to *The Church of England Year Book* for this year, support the tone of optimism of the book's preface.

The preface asks whether it is too fanciful to regard last year and this as the springtime of the church, given that the mood of the church and of Christian people in England was "strangely confident" in 1977-78, which gave rise to some anxiety.

"It becomes very difficult for us to plan our work if the Government does not express a view on recommendations made by ourselves and others within a reasonable time after delivery of the reports containing them."

Not is the failure to act confined to proposals by the Law Commission, the report says. "A number of important law reform proposals made by other bodies during the last ten years or so have not been implemented and in some cases it is not even known whether they are accepted by the Government in principle."

Two examples in the law of tort are the recommendations by the Faulks committee on defamation, in 1975, and a number of those made by the Royal Commission on Civil

Commission says lack of political will to implement its reports gives reason for anxiety

Government rebuked for inaction on proposed law reforms

By a Staff Reporter

The Government was rebuked yesterday for failing to act on law reforms proposed by the Law Commission and other bodies.

The commission's annual report said: "Law reform is ultimately in the hands of Parliament and of the government of the day, and it will not progress unless there exists the necessary political will that it should."

Of all the unimplemented reports noted in last year's annual report, only one has been fully implemented, the commission says. There are eight reports outstanding from 1977-78, which give rise to some anxiety.

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for us to plan our work if the Government does not express a view on recommendations made by ourselves and others within a reasonable time after delivery of the reports containing them."

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Two examples in the law of tort are the recommendations by the Faulks committee on defamation, in 1975, and a number of those made by the Royal Commission on Civil

Liability and Compensation for Personal Injuries, chaired by Lord Pearson.

The absence of a policy decision on many of the recommendations in the Pearson report makes it impracticable for us to continue our work in that and related fields."

The commission points out that the Government is, on occasion, capable of very swift reaction. The commission's recommended reforms in its report on insurance law were welcomed in a consultative document by the Department of Trade within days of its publication.

The biggest difficulty is that implementation of most law reform involves legislation, and that takes up parliamentary and

officials' time, the commission adds.

Few days are available for law reform Bills. Even consideration of proposals is put aside.

Among outstanding reports on which action is yet to be taken is one on criminal law, published in 1979, relating to interference with the course of justice, and one on co-ownership and occupation rights in the matrimonial home.

The commission concludes that although provision exists for a statutory and continuous review of the law, all that has been done is to create the basic machinery: the administrative and legislative means to make it effective are still wanting.

The report says that before

next October papers will be published on breach of confidence and illegitimacy, and working papers on the rights of access to neighbouring land, criminal libel and blasphemy.

On breach of confidence, the commission's report will propose replacing the existing law with a statutory duty backed up by a range of civil remedies.

The commission emphasizes that it is not practicable to recommend detailed legislation in all breach of confidence circumstances. Instead, it will propose a broad framework within which solutions to particular difficulties can be worked out.

The Law Commission: fifteenth annual report, 1979-80, House of Commons paper 161 (Stationery Office, £2.50).

Solicitors as High Court judges proposed

By Marcel Berlins
Legal Correspondent

Solicitors should be able to become High Court judges, the Law Society says in a memorandum published today on the Supreme Court Bill, which is before Parliament.

The society notes that solicitors can become recorders and that after three years as recorders they can become circuit judges, who sit in the crown courts and county courts.

But although some solicitor circuit judges had sat as deputy High Court judges, they were not eligible for full appointment to the High Court bench.

Of 334 circuit judges, 19 are solicitors. The Bill perpetuates the rule against solicitors by providing that High Court judges must be barristers of at least 10 years' standing. The society is pressing for an amendment making all circuit judges eligible to become High Court judges.

It also calls for the removal of the barriers stopping solicitors from holding certain senior legal appointments. For example, the permanent secretary to the Lord Chancellor can only be a barrister.

In contrast, the post of Official Solicitor can be filled only by a solicitor. The society proposes that all senior legal posts should be available to both branches of the legal profession, except where they require appearing in the higher courts, which solicitors are not allowed to do.

Litigants in trials where the judge dies or becomes ill and cannot complete the case should not have to bear the legal costs wasted, the society says. The Treasury should have to pay those costs.

The death or disability of a judge was a failure of the court system, for which the Lord Chancellor was responsible, and was beyond the control of the parties to the case, who should not have to pay the costs.

Lord Hailsham of St Marylebone, the Lord Chancellor, had said that litigants should take out insurance against the possibility of the judge's death. But the society says that presented difficulties if the judge did not wish to cooperate.

"It is the practice to insure in long cases, but even in short cases, where the death of the judge means that the case has to be heard again, the burden in costs can be a denial of justice."

The society also calls for defendants who are refused bail by magistrates to be given the right to appeal to crown court judges. Appeals against bail refusals from magistrates can go only to High Court judges.

Plan to alter maternity pay shelved

By Pat Healy
Social Services Correspondent

The Government has decided to shelve for at least two years a planned redistribution of maternity benefits. No action will be taken until the postponed employers' sick pay scheme has been put into operation; that scheme is not expected to be implemented until April, 1983.

In the meantime the Government will use the Social Security Bill to raise the maximum maternity pay for working women from 50 per cent of salary to 100 per cent. That is intended to compensate women receiving maternity pay for the loss of earnings-related supplement, to be abolished next January.

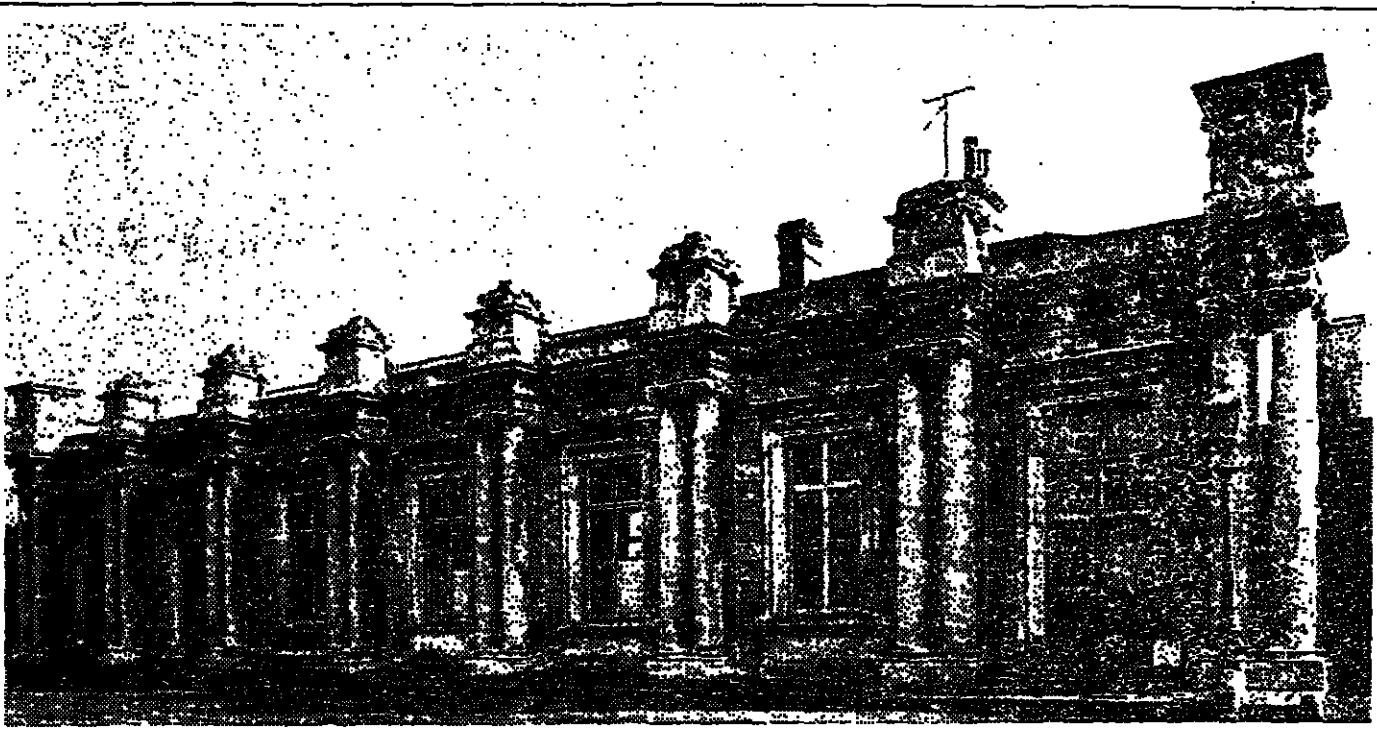
The Equal Opportunities Commission yesterday called for the new power to be implemented on the same date as the earnings-related supplement abolition, to avoid hardship among pregnant working women.

The further shelving of the Government's proposals was disclosed in a special report from the Commons Social Services Committee yesterday. The report reproduced a letter from Mr Patrick Jenkin, Secretary of State for Social Services.

Mr Jenkin laid out the committee's plea for an early and full review of the financial needs of pregnant women and the adequacy of the maternity benefits system.

"The Government takes the view that a reexamination of the arrangements for paying maternity allowance and maternity pay to working women is likely to be much more rewarding if put in hand after the new sick pay scheme has been operating for a while," Mr Jenkin wrote.

First Special Report from the Social Services Committee, Session 1980-81 (Stationery Office, £1.10).



End of the line: The Old Station at Newmarket, Suffolk, which is due to be demolished at the beginning of next month. The building, attributed to Philip Hardwick, is listed as of historic and architectural interest, and in grant-

ing consent last December for its demolition. Mr Michael Heseltine, Secretary of State for the Environment, said he hoped that it would be dismantled carefully so that as much of it as possible could be reerected and

displayed elsewhere. The Laughton Construction Company of 51 High Street, Brandon, Suffolk, which plans to redevelop the site, is still awaiting offers.

Charities clash over £12m fund for the homeless

Our Religious Affairs Correspondent

The Salvation Army and the Church of England are making their joint policy statement, said yesterday that they were about £12m short of the money they needed to maintain their networks of hostels for single, homeless people. At the same time another charity dealing with homelessness criticized their approach.

The dispute is about the location of a £12m government fund to provide accommodation for the single homeless. Many hostels are old and gently need replacement, and grants would reduce places available by more than 8,000 in the next five years.

The organizations appealed for help at a press conference yesterday over the Archbishop of Canterbury, Dr Robert Runcie, who said: "There

could not be a more serious domestic problem for this country than the degradation that comes from unemployment and homelessness."

But the Campaign for the Homeless and Rootless rebuked the Church Army and the Salvation Army for trying to perpetuate large institutional hostels.

The Rev David Moore, superintendent of the Bow Mission and the campaigning chairman, said: "I am shocked and saddened that the Church Army and the Salvation Army should so blatantly attempt to corner resources specifically earmarked for numerous small housing association projects."

Big institutions made the difficulties associated with homelessness worse, he said. Small, community-based projects enabled people to re-establish themselves.

Health group methods criticized

By Arthur Osman
Birmingham

In its 13 years of existence, the Health Education Council has totally misconceived its mission, Lord Hunter of Newton, who is retiring as Vice-Chancellor of Birmingham University, said yesterday.

He questioned whether any important results had been achieved by the council, whose action, as he saw it, was propaganda, not research.

Speaking at the university, he said the council had survived to come a research-based discipline, using the techniques of a framework of established

Fine of £500 over radiation burns

From Our Correspondent
Whitehaven

British Nuclear Fuels Ltd was fined £500 at Whitehaven Magistrates Court, Cumbria, yesterday for failing to provide safe working conditions at its Windscale plant.

The company pleaded guilty to a charge under the Health and Safety at Work Act, 1974, over an incident in which a radiographer received three severe radiation burns to his hand while using an X-ray source to examine welds.

The magistrates were told that the worker, Mr Peter Salmon, of Whitehaven, could have lost his hand if the radiation dose had been higher. He received doses estimated at

2,000-2,500 rems to each burn on his hand.

The company faces a claim for compensation over the incident from Mr Salmon's union, the Amalgamated Union of Engineering Workers. It is the first time a nuclear plant has been prosecuted for a nuclear incident under the Health and Safety Act.

Mr Leslie Clark, for the prosecution listed a series of failures to observe regulations that had contributed to Mr Salmon being burnt. He said that when the X-ray source was examined some days after the incident a safety filter over the aperture was missing.

He added: "At the time of the incident BNF were having trouble meeting their work pro-

gramme and management allowed the recommended procedure in operating the machine to be overlooked.

"X-rays could be energized while the radiographer was still touching the machine head", he said. A warning light on the device might not have been audible.

A control key used to isolate the machine for safety reasons was left in at all times. Of 20 X-ray sources in use at Windscale an inspection showed that 12 had not been registered.

The burns could have necessitated amputation if they had been worse, but Mr Clark said: "It is unlikely there will be any long-term effect". Mr Salmon is back at work at the plant.

Nobel winners head drive to ban chemical weapons

By Pearce Wright
Science Editor

A group of eminent scientists is seeking to prevent British agreement to stockpile a new family of nerve gases and chemical weapons being developed in the United States.

The group includes four Nobel Prize winners, Sir Peter Medawar, FRS, Dr Dorothy Hodgkin, OM, FRS, Professor Maurice Wilkins, FRS, and Dr Frederick Sanger, FRS, who opened the campaign with a meeting at the House of Lords to announce the formation of the Russell Committee against Chemical Weapons.

The American Government

is to build a factory in Arkansas to manufacture the latest generation of nerve gas chemicals.

As well as petitioning the Government to oppose a chemical arms race, an appeal is being made to all scientists and technologists to reject any research associated with the production of such weapons.

A statement signed by 20 senior scientists suggests that Britain might establish depots for American chemical weapons, reactivate manufacturing in the United Kingdom or equip British forces with nerve gas weapons purchased abroad.

The society also calls for defendants who are refused bail by magistrates to be given the right to appeal to crown court judges. Appeals against bail refusals from magistrates can go only to High Court judges.

Disabled and parks

A two-day conference on the disabled and national parks opened yesterday at the Calver Trust's adventure centre for the disabled at Keswick, Cumbria.

Trawlermen seek British fleet to process catches

By Hugh Clayton
Agriculture Correspondent

Trawlermen's leaders appealed to the Government yesterday not to allow the dwindling distant-water fishing fleet to disappear. "The death sentence has been written, but not yet pronounced", the British Fishing Federation said.

Senior members of the federation asked Mr. Alick Buchanan-Smith, Minister of State at the Ministry of Agriculture, Fisheries and Food, to consider creating a British processing fleet to replace the foreign vessels that buy British fish.

The number of British distant-water trawlers, defined as vessels more than 140 ft long, has fallen from more than 170 to fewer than 50 since Britain joined the EEC in 1973.

Mr Powell gives another warning of violence in attack on nationality Bill

By Philip Webster
Parliamentary Staff

Mr Enoch Powell gave a new warning yesterday of future conflict in Britain resulting from the apprehension of the indigenous population about the growth of an immigrant population with dual loyalties and backgrounds.

In a speech echoing many of his past controversial statements on the subject, Mr Powell, Official Ulster Unionist MP for Down, South, was attacking the nationality Bill's provision that children born to parents "settled" in the United Kingdom should have British citizenship.

He had moved an amendment in the Bill's standing committee to delete it, arguing that it was a charter for widespread dual nationality. His amendment was rejected by 18 votes to three.

Mr Powell said: "The greatest apprehension and uncertainty in our society is among the people who have no other home and no other nationality than Britain. They think they see that home and that nation being radically altered and their environment fundamentally changed by the progressive and apparently inexorable growth of a population whose dual loyalties and backgrounds we have been discussing in this committee."

"They see, and they see rightly, that that population in the foreseeable future will make up a third of the population of many of our great cities."

He said the danger for the future lay in the apprehensions and insecurity of those who thought they were British and thought they knew what their nation was.

He added: "I cannot believe—I would if I could—that the constitution of our society will continue to develop, as foreseeably it must over the coming decades, without an outcome in terms of conflict."

"I ask myself if the apprehensions, mutual insecurity, mutual jealousy, and fear for the future should issue in physical violence in the future, should we be better placed to cope with that if we had our future shaped by our own naturalized, as it were, from the start the growth of that population or if we had acknowledged their separate nationhood?"

Indian opposition: The Indian Government said yesterday that it would take a firm stand on Britain's nationality Bill (Reuters reports from Delhi). Mrs Indira Gandhi, the Prime Minister, is likely to raise the matter when Mrs Margaret Thatcher visits India in April.

Some opposition members demanded that India should withdraw from the Commonwealth if Britain refused to amend the Bill.

Mr P. V. Narasimha Rao, the External Affairs Minister, told the Rajya Sabha (Upper House of Parliament) that the Government would not hesitate to tell Britain if it found that the Bill offended basic principles of human dignity.

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Lightning holes in jumbo jet on way to London

Lightning smashed a two-foot hole in the nose cone of a British Airways Boeing 747 jumbo jet carrying 202 passengers five minutes after it took off from Los Angeles for London yesterday.

The aircraft's weather radar stem was destroyed, but despite that, and the hole, the jet continued to Heathrow airport. Captain Ray Doddwell, the jet's pilot, said there had been no danger.

Luckily the lightning struck on a non-pressurized area. It did not affect the aircraft's handling and we did not know there was a hole in the nose cone until we landed.

Criticism of two authors upheld

A specialist writer for a political weekly was fully entitled to seek to demolish assertions and allegations published elsewhere and her criticism did not entail a right of reply for those who had made the allegations, the Press Council has ruled.

The council rejected complaints by Dr Arthur R. Butz, of Illinois, and M. Robert Faurisson, of Vichy. Each complained that having published an article attacking him, the *New Statesman* refused to give an opportunity to reply.

Mr Richard Verrall, editor of the *New Statesman* and head, took part in correspondence with the *New Statesman* on Nazi treatment of Jews. He challenged the figure of six

million Jews exterminated by the Nazis.

That letter was set into an article by Miss Gitta Sereny which was introduced as demolishing neo-Nazi apologetics.

Miss Sereny saw indecency in holding dialogue with individuals such as Mr Verrall. People like Mr Verrall and Dr Butz mixed truth with lies.

Author of a book on the death camp programme, she surveyed other publications, including a book by Dr Butz.

She recalled that M Faurisson, associate professor of literature at Lyons, had told her her book proved the gas chambers never existed; she found that double-think fascinating.

Dr Butz sent a letter for publication saying his book

answered Miss Sereny's arguments.

M Faurisson sent a letter challenging Miss Sereny point by point.

The editor, Mr Bruce Page, told Dr Butz he did not publish the letters.

The Press Council's adjudication was:

The complainants have made assertions and allegations in books and other published material which the writer of the *New Statesman* article fully entitled to criticize and seek to demolish. That criticism did not give rise to a right of reply or opportunity to respond on the complainants' parts. Their complaint against the *New Statesman* is rejected. The Press Council appreciates Miss Sereny's full and helpful cooperation in its investigation.

WEST EUROPE

Spanish media shuns terrorist ultimatum on kidnapped consuls

From Harry Debelius
Madrid, Feb 26

Spanish news media have continued to ignore almost completely an ultimatum from Basque terrorists to publish reports about alleged police brutality as a condition for the release of the three consuls they kidnapped last Thursday.

The plight of the consuls of Austria, El Salvador and Uruguay, kidnapped from their homes in the Basque country by the political-military wing of the outlawed ETA separatist organization was almost forgotten in the excitement caused by the attempted putsch which failed on Tuesday.

ETA said, in a communiqué on Monday, that the consuls' release depended on publication and broadcasts of reports about police brutality. It insisted that Spain's main newspapers and radio and television networks broadcast the full text of a 1980 report by Amnesty International, another report allegedly prepared by the Basque regional Parliament and colour photographs which purportedly show injuries to the body of a suspected Basque extremist who died after nine days of police interrogation.

So far, few Spanish newspapers have even bothered to explain whether they intend to comply or why they will not, and none of them has complied in full. Nor has the state-run radio and television network or private radio networks.

One exception was the San Sebastián daily *El Diario Vasco*, which today published an Amnesty International report, plus two photographs of the allegedly tortured man and an article summing up complaints by organizations and individuals about alleged brutal treatment by police. It published a leading article explaining that it was doing so in the hope of saving the hostages' lives.

The respected Madrid daily, *El País*, reminded its readers that it printed extensive extracts from the Amnesty International report in its edition of last December 3.

The Bilbao daily, *Deia*, which reflects the opinions of the powerful Basque Nationalist Party, said that in the past it had published summaries of reports, including the Amnesty International document, and it did not feel obliged to reprint the same material.

Malta Bill strikes at rule of law, jurists claim

From Our Correspondent
Geneva, Feb 26

The International Commission of Jurists said today that the code of Organization and Civil Procedure (Amendment) Bill, now under consideration by the Parliament of Malta, "strikes at the basic principles of the rule of law".

The commission pointed out that the Bill proposed to establish a government-appointed body of five members which would "threaten the independence of the judiciary and the legal profession". Moreover it would severely reduce opportunities for citizens to chal-

lenge a government decision before the courts.

The Government of Malta regards the Bill as an instrument for effecting "a comprehensive reform of the judicial system". Dispute over wrecks: The Maltese Government is considering withdrawing from the Council of Europe, Mr Dom Mintoff, the Prime Minister, told Parliament in Valletta today.

He gave as a reason the council's reluctance to discuss the dispute between Malta and Britain over the removal of Second World War bombs and wrecks around the island. — Agency France-Press.



Spain's new Prime Minister and Señora Calvo Sotelo with their eight children Pablo, Andres, José Marie, Victor, Pedro, Pilar, Juan and Leopoldo.

Spain takes steps to prevent further coup attempts

From Richard Wigg
Madrid, Feb 26

Señor Leopoldo Calvo Sotelo swore before King Juan Carlos today "to protect and ensure that others protect" Spain's democratic Constitution when he took the oath of office as Prime Minister.

The ceremony took place in an atmosphere of marked nervousness as the extent of Monday's failed coup sank deeper into the general consciousness. This was noticeable today, both in political circles and in the higher echelons of the Army.

The Prime Minister's first overriding task, as he described it last night, is to steady the nation by drawing the lessons from Monday's seizure of the Cortes and so eliminate the possibility of a future military takeover.

"There is only one Army in Spain, loyal and obedient to the King, not two-way loyal and one wanting to stage a coup", Lieutenant-General Ricardo

Arozarena, declared publicly when he took over today as the fourth military region in Catalonia. His predecessor in Barcelona has been moved to replace Lieutenant-General Milla del Bosch, leader of the failed coup in Valencia.

The general nervousness also obliged the joint chiefs of staffs in Madrid to deny a series of rumours today and even spike some before they arose. For instance, they took the unusual step of explaining beforehand that two battalions of tanks would be returning through Madrid later today from manoeuvres in the Aragon region which were started before Monday's events. There was absolutely no reason for public alarm, they said.

The exact role played on Monday night by the elite was crucial in any military takeover of the capital, is now under investigation. This is one of the main matters for con-

sideration by Colonel Ignacio Díez de Aguilar, the military's investigating magistrate, who is now inquiring into the identity of those responsible for the plot.

As the Prime Minister prepared his Cabinet list, the four main political parties and the trade union confederation today issued a call for a mass silent demonstration tomorrow in support of democracy.

This is likely to be a test for the public mood of mingled fear, shock and possibly even some indifference under the impact of Monday's events. The demonstrations are to take place in Madrid, Valencia and Barcelona. In the Basque country, the national parties have also ordered demonstrations, but the Basque extreme nationalists want their own counter-demonstration.

Señor Felipe Gonzalez, leader of the Socialists, the biggest opposition party, said last night that the Prime Minister had

made "a grave error" in refusing his offer to join a coalition and help defend Spain's threatened democratic institutions. Señora Calvo Sotelo is composing his Cabinet entirely from members of his own Centre Democratic Union party.

He argues that long negotiations would be required for a broad coalition, and these would not be possible at so critical a juncture. He maintains that his own party, now backed by 18 votes from the moderate Catalans and the right-wing Democratic Coalition, will be well able to consolidate democracy.

However, the Socialists insist that the new Cabinet must be made up solely of democratic conviction and should not include those converted to democracy in the last years of Francoism. This dispute is likely to remain a leading issue in the coming months, and it is with this warning in his ears that the Prime Minister has to decide on the crucial appoint-

ments to the Ministries of Defence and the Interior.

There were understandably highly emotional scenes when the Cortes reconvened yesterday. Señor Landelino Lavilla, the Speaker, who read a telegram from Mme Veil, president of the European Parliament, praising the Cortes for having served the cause of European democracy, was later reduced to tears as he reassured the authority of Spain's freely elected Parliament.

General Manuel Gutierrez, the outgoing Deputy Prime Minister in charge of defence matters, who though over 70, fought to take the pistol away from Colonel Tejedor on Monday, was applauded and then kissed by women MPs.

King Juan Carlos has granted Señora Adolfo Suárez, the outgoing Prime Minister, the title of Duke of Suárez.

Dispute over equality follows death sentence

From Charles Hargrove
Paris, Feb 26

There are now seven men in French prisons under sentence of death awaiting the final decision of the Cour de Cassation, the highest appeal court, and a possible presidential reprieve.

This is the highest number since 1965, when four were retried and three reprieved. There may be more in coming months if the present trend of juries towards greater severity continues.

Yesterday, after seven and a half hours, the jury of the assizes of the Val de Marne, south-west of Paris, returned a verdict of death against Yves Maupetit, aged 32, and of life for Terriel, aged 50.

They were found guilty of the murder of three people in 1977 and 1978 in particularly barrowing circumstances. The judges, the jury, the reporters and the public were spared none of the gruesome details of the crimes.

The trial was held in the urban court of Creteil, the new town south-west of Paris, and close-ups of the mutilated bodies of the victims and of their ransacked homes, were projected on television screens.

The Creteil verdict has given a further twist to the unending controversy in France over the death penalty. It was, many commentators have pointed out, a paradoxical and unbalanced verdict. Both defendants emerged through the five-day proceedings, as equally guilty of the charges against them.

But Mme Terriel was spared the death sentence, most commentators agree, simply because she was a woman. The last woman to be sentenced to death was in 1973, in the island of Réunion and the last to be guillotined was in 1949, at Angers.

Since then women have been automatically reprieved. It is probable, after the Creteil verdict, that no woman will ever be sentenced to death in France again.

"This discrimination in the face of the guillotine is no less shocking," *Le Quotidien* Paris comments today, "than discrimination over wages or employment. If the crimes of Maupetit called for no other response than death, the same was true of Terriel. Or vice versa."

M Maupetit pleaded to the last that he had not killed. Mme Terriel maintained that she had only killed one of the victims.

Closely linked with the controversy over the death penalty is the problem of nuclear injuries, who have been responsible for the recent spate of death sentences. Since the reform of 1978, which was adopted unanimously by Parliament and regarded as a step towards greater democracy, jurors are no longer chosen from among notables, retired professional people or local officials on a list drawn up by the authorities.

In the past, juries tended to be predominantly rural and conservative. Now they are much more truly representative of a cross-section of French society, and therefore reflect its fears and instincts.

Dutch Labour Party call to bar cruise missiles

Amsterdam, Feb 26. — A

future Dutch coalition government must play an important role against the deployment in the Netherlands of American nuclear missiles, Mr Max van den Berg, the party chairman, said today.

In his opening address to the party congress, Mr van den Berg called for closer contact with Belgium, Denmark and Norway on nuclear disarmament.

He said it was the Labour Party's duty to fight the deployment and use of nuclear arms, even if this meant the Netherlands would have to review its international political commitments.

Referring to the 48 cruise missiles that Nato wants to deploy in the Netherlands as part of its European nuclear modernization plan, he said: "The Labour Party in government will be an absolute guarantee that the cruise missiles

will not come to the Netherlands."

The Labour Party can and must play an important role nationally and internationally in the political movement that is against a new, rising cold war atmosphere and rearmament," he said.

His comments reflected the majority view in the powerful socialist movement, but they did not touch on the nuclear controversy that threatens the position of Mr Joop den Uyl, the Labour Party leader.

While a majority of the local branches favours immediate disarmament, Mr den Uyl wants to retain one or two to give the Dutch a stake in future international disarmament negotiations.

With a general election scheduled for May 26, the Labour Party congress is, by tradition, the starting signal for the active campaign to begin. — UPL

West German standards place stress on children

School system blamed for suicides

From Patricia Clough
Bonn, Feb 26

The tragedy is so frequent it hardly makes more than a few lines in the papers: a 13-year-old girl shoots herself; a 14-year-old boy hangs himself in his bedroom; another throws himself under a train.

The reason is depressingly familiar. One has had a bad report at school, another cannot face an examination, a third is afraid to tell his parents he has to repeat a year.

Now young West German teachers have accused the education system, with its "marks and performance cult" of being partly responsible for this "mass drama". They have listed chilling figures. Between 500 and 700 schoolchildren commit suicide each year; 18,000 young people attempt to kill themselves; 600 die from drugs.

Leaders of an association of young German teachers told a press conference this week that the education system failed to

pay enough attention to the individual personalities and problems of children.

They appealed to the education authorities to rethink the aims of education. Teachers, they said, were trained simply to transmit knowledge. They were not taught to encourage the personal development of each child.

The association, an offshoot of one of the main teachers' unions, represents 30,000 young elementary and secondary school teachers and, without doubt, the views of millions of parents.

In Germany, where paper qualifications and examination results often count for more than actual ability, success at school is essential for success in life.

The stress on both children and their anxious parents has increased in recent years with growing youth unemployment and the need to compete even harder for jobs.

After a thorough study of the problem a few years ago the

Federal Education Ministry tried to encourage a more relaxed, less achievement-oriented attitude with a campaign "Pursue at School". But the *Länder*, which actually run the schools, took little notice and Ministry officials consider it a failure.

A clue to the attitude still prevailing in many schools was given recently by the president of another union which represents grammar school teachers Herr Clemens Christians.

He claimed that standards required from school children were slipping badly and that they should be made to take their school work more seriously.

"Work should not be fun and free time should not be a serious matter," he said, "and school should be particularly badly," he said, in North Rhine-Westphalia where children were judged according to their effort and progress as well as their marks.

Worse still, the number of words children were expected to learn in English, he said, had been reduced during the past 10 years by one-third.

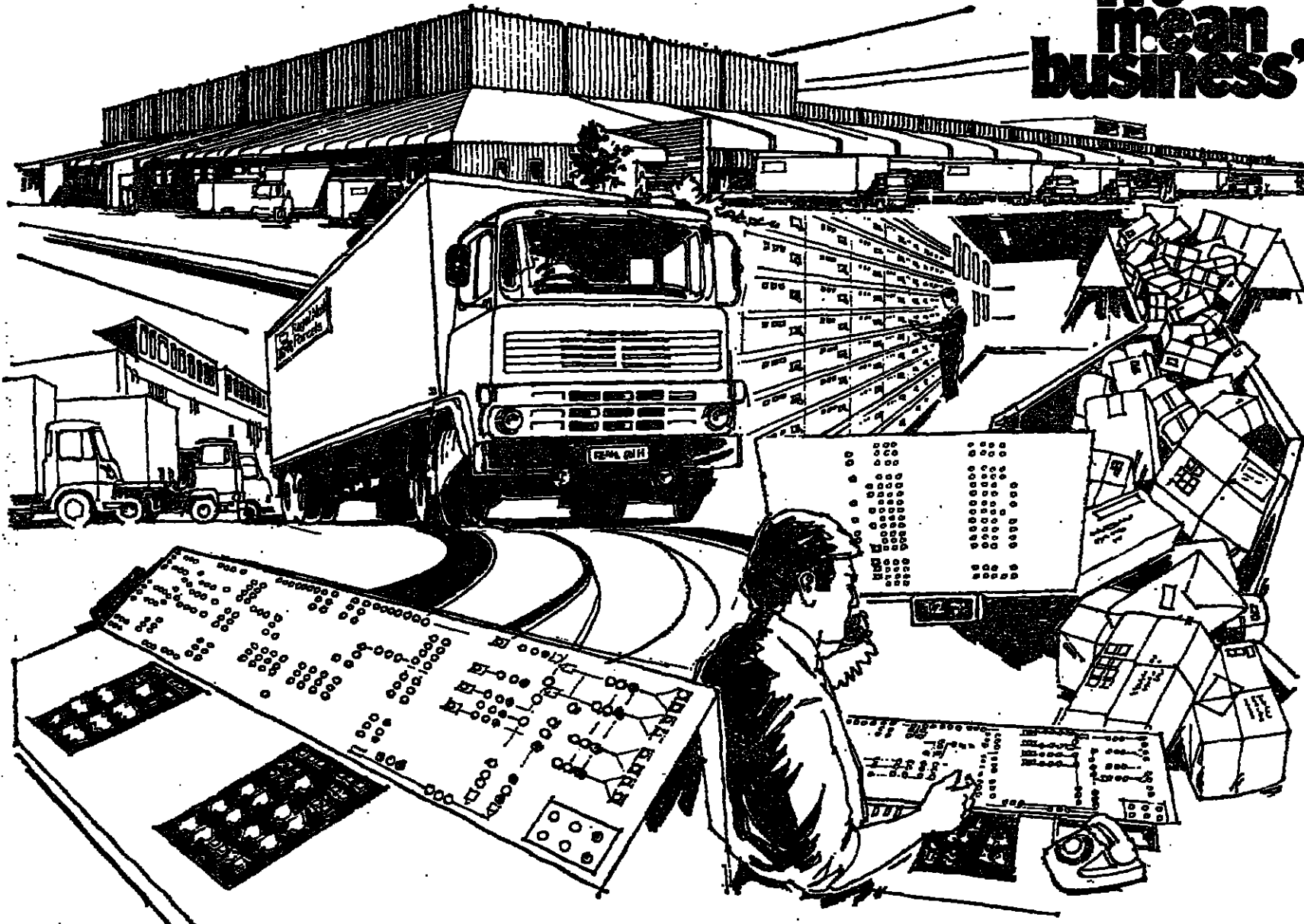
while trying to flee the

Rescue workers were searching the debris of a vacant eight-floor hotel Vrachani, west of Corinth which collapsed burying it found the watchman, his wife and one son. The total injured people taken to hospital did not exceed 90.

About 3,000 buildings sustained some damage, many in the vicinity of the gulf: either collapsed or were uninhabitable. More than 1,000 tents were sent to the stricken area.

Some concern has been expressed over the collapse of many as the hotel, famous for its empty. There were suggestions that an inquiry should be held.

In a Piraeus suburb large blocks of flats built in 1934 for refugee families, declared unfit for habitation.



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OVERSEAS

Soviet jammers face increase in radio broadcasts by BBC

By Ian Bradley

The BBC is to launch a new language service for Afghanistan as well as increase its broadcasts to the Soviet Union in an effort to counter jamming. Announcing the developments in overseas broadcasting, Mr Douglas Murreridge, managing director of the BBC External Services, said yesterday that Radio France International (RFI) has been asked by the French Government to submit plans for a round the clock world service in French modelled on the BBC World Service.

The new BBC language service will be in Pashto which is spoken by about 18m people in Afghanistan and also on the North-West frontier of Pakistan. The BBC already broadcasts in Farsi, the other language widely understood in Afghanistan. The new service will start in the summer.

From the end of March the corporation will transmit in Russian for an extra 30 minutes a day. That will allow a restructuring of the output to the Soviet Union to provide a continuous five-hour block of programmes every night from seven until midnight, Moscow time. "We will be doing this on an experimental basis. We hope it will help the listeners and confuse the jammers", Mr Murreridge said.

He also said that before the Soviet Union re-imposed jamming of the BBC's Russian Services last August, it had an estimated 13 million listeners. Although there was little prospect of an early end to the jamming there was evidence that the Russian service could still be heard outside major conurbations. The BBC's

English language world service is not jammed by the Russians.

Its Turkish service is also to be increased from an hour to 90 minutes a day in order to meet the greatly increased demand for information since the military take-over in Turkey.

Mr Murreridge said that the increase in services, which had been decided after consultation with the Foreign Office, did not preclude a new, expansionist phase for BBC External Services.

"In the past year we have sustained a cut of £3.1m which has come out of capital and we continue to live under the constant threat of cuts", he said. "It would obviously be unrealistic to ask for more money but we do ask that our existing services be maintained".

He said it is ironic that the BBC, widely acknowledged as the leading overseas broadcasting organisation in the world, should be struggling to maintain its present service when other countries, in both West Europe and the Eastern block, were greatly expanding their external broadcasting.

For example French Council of Ministers decided on Monday to authorise the building of a relay station in French Guiana to cover Central and Latin America and the United States.

As for the expansion of overseas broadcasting by the Eastern block, Mr Murreridge said the Soviet Union now had 140 transmitters in operation compared with the BBC's 80. Some BBC transmitters were now more than 40 years old and have considerably less power than those used by other countries.

Israel says Egyptians slow in cooperating

From Christopher Walker
Jerusalem, Feb 26

The first anniversary of the historic exchange of ambassadors between Israel and Egypt was celebrated on a sour note today with an official statement from the Israeli Foreign Ministry outlining numerous alleged "shortcomings" in the promised normalisation.

"After a year of experience with the normalisation process, it may be said that slow progress has been made in Israeli-Egyptian relations", the ministry complained.

"This progress could have been more substantial if Egypt had been more forthcoming. War has been achieved, mainly the result of initiative and untiring efforts on the part of Israel, the Egyptian attitude fluctuating between passivity and opposition".

The strongly worded document accused Egypt of being in contravention of the Camp David accord by attempting to link normalisation with progress in the Palestinian autonomy talks, and by using delay tactics in advance of Israel's final pull-back from Sinai due in April, 1982.

Blaming the Egyptian authorities for discouraging travel to Israel by making passports and permits difficult to obtain, the statement noted that since a memorandum on tourism was agreed last March, less than 1,500 Egyptian nationals had visited Israel compared with over 25,000 Israeli visitors to Egypt.

The Foreign Ministry criticised Egypt for procrastination in ratifying agreements on trade, cultural exchanges and civil aviation. It also cited "an Egyptian tendency, particularly

at the sub-presidential level, to deliberately slow down the progress and rate of normalisation".

In the crucial field of economic cooperation, the Israelis point out bitterly that the public sector of the Egyptian economy — which accounts for about 85 per cent of the whole — is still not permitted to trade with Israel.

Figures released last month by the Israeli Ministry of Commerce show that since the signing of the peace treaty in March 1979, Israeli exports to Egypt were estimated at only £4.5m. Precise details of trading are difficult to obtain, but the largest single deal is believed to have involved a consignment of hatching eggs and chicks flown from Tel Aviv to Cairo last November.

The clearest explanation of Egypt's reluctance to participate wholeheartedly in normalising relations was given last November, when Vice-President Hosni Mubarak placed the blame directly on Mr Menachem Begin, the Israeli Prime Minister. He said that Egyptians could not be expected to open their arms to Israelis while settlements were being expanded in the occupied territories and after the law declaring Jerusalem as an integral part of Israel's capital.

In the ensuing months, the Israeli settlement programme has been further accelerated, but no reference is made to this in the three-page document issued today in Jerusalem.

On the positive side, the Israelis refer to a number of "assets in the interim balance sheet" in addition to the establishment of full diplomatic ties and the regular functioning of both embassies.

Islamic revival movement suspected of terrorism

From Moshe Brilliant
Tel Aviv, Feb 26

Israelis were alarmed by the exposure of an alleged Islamic Arab terrorist ring organised by an Islamic revival movement. Scores of Arab citizens of Israel were arrested in villages along the pre-1967 armistice lines over the past few weeks, and arms caches were raided but the security authorities maintained a news black out until last night.

Some of the lesser members charged only with belonging to an illegal organisation have already been sent to prison for a year by a military court, sitting in camera. The trial of the main suspects is to begin next week, also before military judges and behind closed doors. They are accused of terrorist activities, illegal possession of weapons, and incitement.

Israeli sources said that the ring was politically motivated but that the leaders adopted the cloak of Islamic revival to benefit from the popularity it gained since Ayatollah Khomeini ousted the Shah in Iran. Young Israeli Muslims are

attending mosque services in numbers, growing beards, and observing other religious practices.

Professor Moshe Sharon, of the Hebrew University, formerly the Prime Minister's adviser on Arab affairs, said in an interview: "The Islamic commitment means they are not seeking rights or the good will of the Israeli rulers, but to end the abnormal condition of Muslims being ruled by non-Muslims. It means stagnation (holly war)".

Mr Amnon Linn, specialist on Arab affairs in the parliamentary foreign affairs committee, said extreme nationalists had been a fringe element in Arab-Israeli society until the 1973 war. But, growing Arab international power and the world recognition of the Palestine Liberation Organisation convinced a growing number that the Israelis were on the decline and the Arabs on the rise.

He added that the PLO had ordered the establishment of the countdown for the next round. The countdown would begin after Israel completed the evacuation of Sinai next year.

Police kill five in Gujarat caste riots

Delhi, Feb 26.—Police opened fire on rioting crowds killing five people, and arrested nearly 3,000 doctors, students and medical workers today in the western Indian state of Gujarat, the Press Trust of India reported.

At least 25 people have been killed in Gujarat since students began protests last month against reservation of places for lower castes in medical colleges.

In Ahmedabad, the state's largest city, some well-known local surgeons were among the 3,000 arrested when they tried to defy a ban on demonstrations, the Press Trust said.

Mrs Indira Gandhi, the Prime Minister, deplored the caste violence in Gujarat and told parliament it was her Government's moral and constitutional responsibility to advance the educational interest of backward and lower castes.



Shoulder to shoulder: President Castro of Cuba is flanked in Moscow yesterday by his Soviet comrade, President Brezhnev

Mr Brezhnev pledges his support for Cuba

From Michael Binyon
Moscow, Feb 26

President Brezhnev today met President Fidel Castro of Cuba, who is attending the twenty-sixth Congress of the Soviet Communist Party, and assured him of continued Soviet support in the face of "another anti-Cuban campaign" launched by the United States.

During his speech on Tuesday, Dr Castro condemned American support for the ruling junta in El Salvador and said his country would not back down in the face of aggression. Threats by "imperialist Yankees" to intervene in El Salvador, he said, demonstrated Washington's intention to impose its own political regime throughout the Western hemisphere.

According to the Tass summary of his speech, he accused "imperialists" of malicious lies against communist countries, trying to prove that events in Central America were not the result of the "rightful indignation" of the oppressed but the result of international conspiracies.

A Soviet spokesman said he had also denied that Cuba was

sending arms to guerrillas in El Salvador, and declared that any move by the United States to block Cuban arms exports to that country would be senseless as there were no Cuban ships in the area.

An East German magazine, published in East Berlin today, said liberation movements such as the one in El Salvador could expect aid from the Soviet block in whatever form and quantity they want. The weekly magazine, *Weltbühne*, said that, if it were not for the Soviet Union and other socialist states, most liberation struggles would be doomed to failure.

The 5,000 delegates to the party congress today unanimously approved the report delivered on Monday by President Brezhnev and formally instructed all party organisations to be guided by its provisions.

His vote ends what has been officially termed the "discussion" of the report, drawn up by the policy-making Central Committee, which sets the guidelines and priorities for Soviet policy and development for the next five years. Tomorrow Mr Nikolai Tikhonov, the

Prime Minister, will deliver a more detailed analysis of the economic outlook.

The congress also voted to redraft the party's programme, a fundamental statement of aims and intentions drawn up 20 years ago under Khrushchev.

This document has become an embarrassment, since it laid down specific dates by which Soviet production and output were to have overtaken those in the West. It also predicted that by 1981 the Russians would have easily outstripped the Americans in production of consumer goods.

The resolution ordered the Central committee to make "the necessary amendments and additions" to the present programme so that it "correctly" mirrored the laws of world social development.

The congress also explained that "a new phenomenon" had appeared on the world scene, which can be taken to mean that the Soviet Communist Party will now bend its ideology to give greater fraternal recognition to national liberation movements that do not fall into the strictly orthodox communist mould.

The proceedings of the past

three days have been far removed from any Western concept of a debate. After Mr Brezhnev's lengthy document, members of the Politburo and then party secretaries from the 15 constituent republics of the Soviet Union delivered speeches.

Without exception, each praised the report as far-sighted and all-embracing, spoke of the achievements of the Communist Party, and paid glowing personal tribute to the 74-year-old Soviet leader. Local party secretaries dwelt on economic developments in their areas, but few raised any of the problems and shortcomings dwelt on with such frankness by Mr Brezhnev.

They were followed by the leaders of the East European delegations, then by others from among the 123 delegations present.

There have been no criticisms of Soviet policy, though Poland's difficulties have been a strong theme in most foreign delegates speeches, as well as defence of the Soviet Union against American charges of backing international terrorism.

Moscow Daily, page 14
Letters, page 15

Mr Reagan draws a thin red line

Washington
Commentary
Patrick Brogan

President Reagan has decided to draw the line in El Salvador. Thus far and no further will the communist powers be permitted to expand their influence in the Western world. It is all rather puzzling for foreigners and for Americans, too, for whom El Salvador has never been a matter of great concern.

Twenty years ago President Kennedy tried to reverse the verdict of history and over-ruled the decision to stop communism in Cuba. That was the first communist state that had not been established by force of Russian arms or in a country contiguous with existing communist states — and the first in the Americas.

Mr Kennedy failed and there have been many other communist states set up since then in various parts of the world. The thing about El Salvador is that if the United States really wanted to stop communism there, it will succeed. There is no powerful and ruthless neighbour, like North Vietnam, to serve as a base of operations for the rebels.

El Salvador is not immense and is not a major power. It is the very opposite, with a population of about six million in a country the size of Wales.

Neither is its government burdened with a dictator whose personal fortunes are inseparably bound up with the regime. The Sandinistas won in Nicaragua because they were the only possible alternative to the Somoza, Castro might have been defeated if Batista had been removed in time. If the Shah had abdicated four years ago, a moderate government might now rule in Tehran while the ayatollah told his beads in Qom.

The Salvadorean dictator, General Humberto Romero, overthrown 16 months ago, El Salvador is on the west coast of the isthmus, with right-wing neighbours to the north and east. The insurgents can be supplied only by arms smuggled overland through Honduras, by air or by sea.

Their only base is Nicaragua,

whose government and economy are very susceptible to American pressure and disinclined to risk everything for the sake of the Salvadorean revolution.

The Americans will send the Salvadorean army all the arms and other supplies it needs to fight the insurgents. And in such circumstances that any can probably do the job. There is talk of sending an American training mission and even of setting up naval patrols to stop arms being smuggled from Nicaragua to El Salvador through the Gulf of Fonseca.

That was where an earlier war runner, Captain Horatio Hornblower, RN, delivered to the rebels a cargo of arms from an imperial power bent on stirring up trouble in Central America.

The Americans will draw their line; communism will be stopped, at least for the moment. It might even be possible then for the President and for Mr Alexander Haig, his Secretary of State, to claim a real victory, to have succeeded where Truman (in China), Kennedy (in Cuba) and Johnson (in Vietnam) all failed.

The fact that it will be a very small and easy victory is another matter.

What Mr Reagan wants to do is to establish an image of mastery. He wants the world (and the nation) to see in him a decisive President, quite unlike Jimmy Carter, who knows exactly what he wants and how to get it.

In economic affairs, he has submitted what appears to be a revolutionary new approach to the budget in foreign affairs he wants to face down the communists.

In his election campaign he

said that his dearest wish was that there should be "no more Vietnams". He meant that the United States should not abandon any more of its friends.

There are certainly some of his supporters who favour military dictatorships in South America to be their friends. Senator John Tower, for instance, delights in the junta that overthrew democracy in Bolivia last year.

For Mr Reagan and Mr Haig, however, the friendship is felt for the people and the country. They are convinced (and who is to blame them?) that the lot of the Vietnamese or the Cambodians is far worse now than it would have been if communism had been defeated, and that it is their duty to prevent a further tragedy falling upon the people of El Salvador.

After some hesitation, the Administration has decided to back the former oligarchy, which has a civilian aspect even though real power rests with the army. The alternative was to abandon the junta and its plans for land reform and to back the former oligarchy, which continues to plot against the junta from Miami.

So if he wins his victory, what will Mr Reagan do with it?

The Soviet Union is not going to make great efforts to establish communism in El Salvador. In 1974 they abandoned President Allende to his fate and they care much less about El Salvador.

There are other places, however, about which they care a great deal and where Mr Reagan, emboldened by his easy victory in Central America, will find himself in sudden and dangerous confrontation if he tries to repeat his success.

El Salvador is a sham issue but, to take the most extreme case, Poland is real. Mr Haig at least knows better than to draw the wrong conclusion from an early and minor success, but there are others who do not.

Opposition MPs in Iran defiant

From Tony Allaway
Tehran, Feb 26

Four Iranian opposition parliamentarians told a mass rally in Tehran today that they would not bow to pressure and start criticising the dictatorial tendencies they saw in Iran.

"It is the reasoning of dictatorial regimes to stop people from criticism under various pretexts... pretexts also used by the Shah's regime", declared Mr Mehdi Bazargan, who was overthrown as Prime Minister by religious fundamentalists in 1979.

"This revolution belongs to us... we have always been against monopolism", he said, in an obvious reference to the dominant, clergy-led Islamic Republican Party. "We see monopolism as the enemy of freedom, Islam and independence".

Mr Bazargan and the other three deputies, Mr Ibrahim Yazdi, Mr Hashem Sabbaghian and Mr Yadollah Sahabi, are all members of the Iran Liberation Movement, which formed the core of the first post-revolutionary government. The meeting, the first "opposition" rally of its kind for some time, reflected their recent moves to re-enter active politics after being put in disgrace by the seizure of the American embassy.

The rally itself must have disappointed them, however. Only about 20,000 people were in the sports stadium where it was held, a small number by revolutionary standards. Among them were many groups of people clearly supporting the Islamic fundamentalist line. They held aloft pictures of Ayatollah Beheshti, the Islamic Republican Party leader.

There were many scuffles during the meeting but police, some wearing riot helmets, quickly ejected troublemakers with surprising efficiency.

American plane crashes in sea

Manila, Feb 26.—An American transport aircraft crashed into the South China Sea shortly after take off from the Subic Bay base in the Philippines today, killing 23 of the 24 passengers on board, a United States Navy spokesman said.

The C130 military transport was carrying American, Philippine, Australian and New Zealand personnel.

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No end seen to El Salvador terror

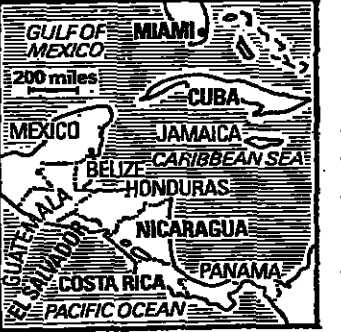
Continued from page 1

The present 19 American instructors (the word advisers has been out of favour since Vietnam) with the El Salvador Army will be increased to about 50. The fleet of six large American helicopters used to transport troops to trouble areas will be quadrupled.

The Americans will help with the creation of a 2,000-man rapid response battalion to be deployed as soon as incidents occur. Deliveries of American arms, already arriving almost daily here, will be sustained and possibly stepped up.

The irony is that President José Napoleón Duarte, one of the few remaining moderates in a junta that has moved sharply to the right in recent months, is lukewarm about this extra military help.

"It is of no use to have the greatest and best army in the world if the people are dying from hunger", he told *The New York Times* last week. He wants economic aid to help ensure the success of his Government's reforms.



who said he had been posted to El Salvador by the Sandinistas, the ruling left-wing group in Nicaragua.

It is thought that there are 5,000 "lucero" guerrillas plus some 10,000 supporters. Against them, the security forces number nearly 16,000; not a large enough differential to wipe out a determined insurgent movement, according to conventional military theory.

The Americans probably do have the capability to prevent a guerrilla victory but it is hard to envisage them wiping out the leftists altogether.

Meanwhile, life continues with surprising normality in this attractive country, whose violent history has left it with the capability of shrugging off conditions most people would find intolerable. Traffic circulates busily in the tree-lined streets of the capital, snaking through the volcanic hills. A curfew, rigidly enforced, begins at 9 every night. The people go to their homes, listen for shots and, at daybreak, look to see if the morning has brought any more roadside corpses.

Parliamentary report, page 11
Letters, page 15

Purchasing a bottle of Glenfiddich now, could save an economy later.



OVERSEAS

600 faint in the cold as Pope says Mass

From Peter Hazlehurst
Tokyo, Feb 26

The Pope completed a four-day visit to Japan and flew back to Rome tonight after celebrating an open-air Mass in driving snow in Nagasaki, a stronghold of the Roman Catholic Church where scores of Christian martyrs were tortured and executed during the sixteenth and seventeenth centuries.

Paying homage to the faith of thousands of Japanese Christians who went underground for nearly three centuries until a ban on the Church was lifted in 1873, the Pope told a crowd of more than 48,000 faithful at the Nagasaki sports stadium that he had come to Japan's bastion of Christianity as a pilgrim.

Celebrating Mass in Japanese, he declared: "I came here to convey the love of Christ to those who kept their faith and hid themselves as Christians for so long."

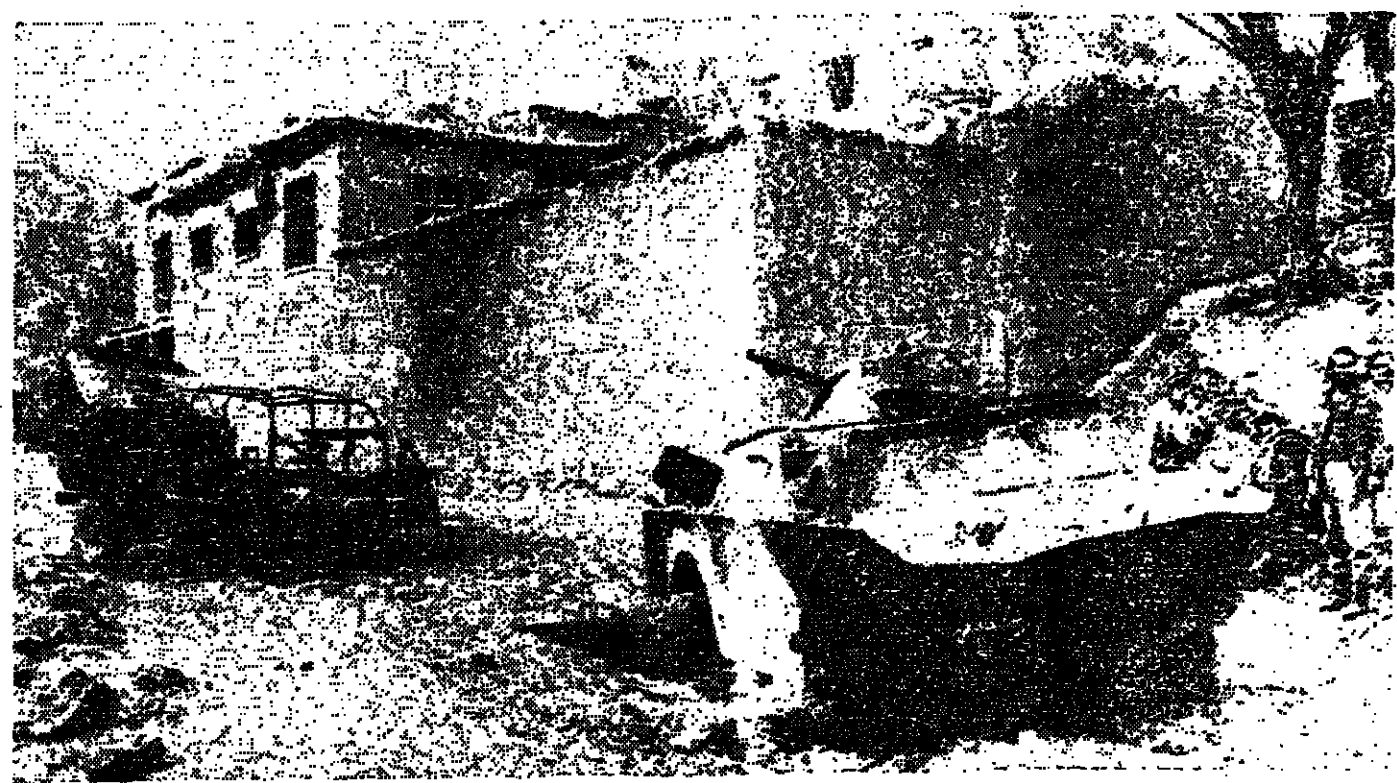
More than 48,000 Christians, described as the largest gathering of Catholics in the history of the Church in Japan, thronged into the stadium, some of them arriving at 5 am four hours before the pontifical Mass was celebrated in gusty wind and driving snow. More than 600 people who fainted in the cold, were taken to medical centres and hospitals during the three-hour ceremony.

Admitting that the Catholic Church had remained relatively weak in Japan, the Pope said that the faith of Japanese Christians was "the sign of a new Jerusalem".

The Pope arrived in Tokyo on Monday on the second leg of his tour of Japan, the first Pontiff to visit Japan.

During four days of hectic activities, he met Emperor Hirohito, prayed for peace at the spot where an atomic bomb destroyed Hiroshima in 1945 and, according to Christian leaders, enhanced the influence of the country's religious minority community of 400,000 Catholics.

The Japanese press tonight hailed his visit as a triumph.



Ambushed Soviet armoured cars and lorries litter a street in the Parwan Valley, north of Kabul.

Brazilian trade unionists given prison terms

From Patrick Knight
Sao Paulo, Feb 26

The president of the recently formed Workers' Party, and former leader of the Sao Bernardo Metal Workers' Union, Senhor Luis Inacio da Silva, "Lula", has been sentenced to three years and six months imprisonment in his absence by a military tribunal in Sao Paulo yesterday for incitement to disobey the law.

Eleven other trade unionists were also sentenced on charges arising out of the six-week strike in the motor industry last year, some for the same period as Senhor da Silva others for shorter terms. Two were acquitted.

In protest at the trial being held before defence lawyers had time to prepare their case, the defendants and their lawyers did not attend the trial, held in a small military courtroom. The case was heard and sentences pronounced in their absence.

The military judges took six

hours to reach their decision. The sentenced men gave themselves up to the police late last night, but were expected to be freed pending an appeal to the Supreme Military Court in Brasilia, which is unlikely to be heard for several months.

As well as appealing against the sentences, the defence lawyers have called for an annulment of the trial on various grounds, including the exclusion from the courtroom of foreign journalists, trade unionists and others who had travelled to Sao Paulo for the trial.

If the sentences are upheld, the trade unionists will be prohibited from any political activity for five years after serving their sentences, under the terms of the national security laws.

Recent opinion polls have shown that if Senhor da Silva were to stand on behalf of the Workers' Party for the Sao Paulo governorship in 1982, he would have a good chance of being elected.

Communists to surrender soon, Thai officers say

From Neil Kelly
Bangkok, Feb 26

Many of the leaders of the communist insurgency in Thailand are expected to surrender soon, according to Thai intelligence officers.

They said at least 50 had secretly come to Bangkok and were now preparing to give themselves up. Mr Thirayouth Boonmee, aged 32, who largely organized the overthrow of the military dictatorship in October, 1973, surrendered on Tuesday.

He joined the Communist Party of Thailand in 1976 after fleeing from a military coup which deposed the democratic government. His wife, a former air hostess, surrendered with him.

They said they had spent the past four and a half years in northern Thailand and northern Laos with hundreds of student leaders, activists and left-wing politicians. However, after Vietnam invaded Kampuchea in 1979 their relations with the Laotian Government became so strained that they were ordered out.

Mr Thirayouth has not publicly disclosed his reasons for defecting but he told intelligence officers that he had become convinced that the party's revolutionary strategy was wrong and that its basic principles were undemocratic. Other defectors recently made similar complaints.

There are also ideological conflicts within the party, now split between those in favour of the old links with China which has always provided most of the insurgents' material and moral support, and an opposing group which prefers to ally itself with Hanoi and Moscow.

The Thai authorities believe that the local communists have weakened considerably since Vietnam's occupation of Kampuchea, and its incursion last year into Thailand and also since the establishment of friendly relations between the Thai and Chinese Governments.

They view the surrender of student activists as marking the end of an era of extreme radicalism among Thai students. Lieutenant-General Harn Lam, Chief of Staff, in a recent optimistic survey of the insurgency, said its leadership was divided and was finding it increasingly difficult to fight a government which was promoting democracy.

The Posts of Defence Minister and Minister of Petroleum and Industry and Commerce, the latter is thought likely to be filled by the standing committee.

The previous minister was dismissed last year after the party leadership blamed the ministry for greatly inflating estimates of China's accessible oil resources.

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SPORT

Cricket

English problems are underlined once again by West Indians

Berbice (Guyana), Feb 26

The West Indians beat England with some ease, by six wickets, in the second of the one-day international matches at Berbice today.

Haynes bowled England out for 137 in 47.2 overs they scored 138 for the loss of four wickets, in 39.3 overs.

However, the West Indians were in early trouble in their reply: in the third over Gordon Greenidge, decelerated by Butcher's speed at square leg, was run out for two. Over two later Vir Richards hooked Dilley high to long leg, where Stevenson took the catch.

Haynes and Mattis dug in to turn the match slowly in the West Indians' favour, with Mattis using his fast to punish Emburey.

Mattis was out in bizarre circumstances: bowled round his legs by Emburey, he seemed unwilling to go until the umpire consulted with Bairstow and Bodham gesticulating angrily.

In the England innings, Roland Butcher, like Gatting striving for a test place, made only five before becoming one of three victims of Larry Gomes, the off-spinner, while Geoff Boycott and David Gower managed seven and three respectively.

Graham Gooch was the first to depart, caught behind by David Murray off Andy Roberts for 11 when the total was 16. Eleven runs later Boycott was bowled by Vir Richards and from then on England were struggling.

They slumped to 62 for five before Ian Botham, the captain, and Peter Willey halted the slide temporarily. The pair added 46 but the last four wickets fell for 29 runs. Willey was bowled by 21 by Colin Croft, who went on to take three for nine from 10 overs and Bodham, trying to hook Roberts, was bowled for 27.

Botham had a warning when he tried to hook Roberts and lobbed the ball off the spine just short of Garner at mid-on. But he

attempted the same shot next ball, mistimed again and was bowled with agonising slowness off his thigh pad.

Emburey drove a catch straight to mid-off after three overs with out scoring and England's last flame or resistance was provided by Bairstow and Stevenson, who both drove the quicker bowlers for boundaries.

Then Bairstow was bowled by a delivery from Croft which straightened, and Dilley was yorked.

England had used a combination of military aircraft and helicopters to clip three hours off the normal lengthy winter road journey of 65 miles from Georgetown to Berbice.

They also outpaced the weather which had dogged their tracks during the Caribbean tour so far, and were able to start on time as scattered rain clouds gave way to blue skies and sunshine.



Gatting: top-scored when at last he got to crease.

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Call for changes in England qualifications

Overseas players who want to play for England will be asked for a declaration of intent before starting their qualifying period if a recommendation by a registration working party is accepted by the Test and County Cricket Board.

The working party, led by Colin Atkinson, the board's chairman, want a tightening of the rule for foreign-born players who, like Albert Lamb, the Northamptonshire batsman, see their future in England's Test team.

Lamb, who was born in South Africa, will not be affected, however, as he has already played for England in 1982, even though he decided to opt for his new country only last summer after first appearing in county cricket in 1979.

Mr Atkinson's committee also want a cricketer to be a British citizen before playing for England. The four-year qualification rule would only apply if his father or mother had been born in the United Kingdom and had retained British citizenship. Otherwise the 10-year rule should continue to be applied.

The recommendations, which will be discussed by the TCCB's meeting on March 10, include a

rejection of a compensation scheme for counties whose players move to another club. The com-

mittee believe that compensation would lead to a "full-blown transfer system" and that financial compensation would not deter cricketers from moving.

An attempt will be made to play cricket as early as possible after weather interference. In general, standards now accepted as reasonable in John Player League matches, where rain is often allowed in poor weather or ground conditions, should apply to all games. The TCCB want far larger areas to be covered against rain, including 10 yards of a bowler's run-up. A recent umpire's meeting has proposed the use of maling to cover wet areas.

The TCCB intend to take a detailed look at the structure of the cricket programme after next season. If changes are made, there could be a new look for the counties in 1983.

The Test selectors will be the same as for the past two years: Alec Bedser (chairman), Charlie Elliott, Ken Barrington and Brian Close. Mr Bedser, who will be 63 in July, has been on the panel for a record 20 years and has been chairman for 13 years. There were no other changes.

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Mrs Bhutto arrested after meeting

Lahore, Feb 26—Pakistani police today detained Begum Nusrat Bhutto, widow of the former Prime Minister, and six other leading opposition politicians, opposition sources said.

They were meeting in the home of Mr Mehmed Ali Kasuri, a lawyer, in central Lahore. About 400 supporters of the newly-formed Movement for the Restoration of Democracy fought outside the house with as many police while the meeting took place.

The sources said about 150 demonstrators were taken away but there was no comment here from the Punjab province military government on the arrests.

lections



Damascus
Mr. Salim Tash, Assad's chief

doubt that it is exclusively electoral, his current series of rallies show that the forces to which he appeals are considerably more complex than the label of "loyalism" suggests.

A man stepped forward and opened the small silver door, disclosing the old Hebrew text inside. The light tumbled and glanced off the silver as we stood on the carpets, Mr Totah, the president of the Syrian Jewish Community Council, Mr Abraham Hamra, the Chief Rabbi, a local Jewish school teacher, the official Syrian Government interpreter and a Syrian ministry driver, a dark-haired Kurd who stood nearest to the door of the synagogue, returned perhaps that such a constitution should exist in the capital city of Israel's most

Mr. Totah denied this. When told him that many Israelites were concerned for the wellbeing of Syrian Jews and believing they were misreated, Mr. Totah replied: "I thank the Jews who ask about our affairs because they care about us. Tomorrow day and night to have peace in this part of the world, we enable us to live together."

Robert Fisher

don ought to be able to support two evening newspapers, but if a newcomer fell short on advertising it could only turn to its cover price to restore the financial balance. And if there was one common lesson which both the *Evening News* and the *Evening Standard* learnt in their years of competition, it was that every time the cover price rose, their sales fell, never to return.

David Hewson

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David Hewson

temporary writers, has a successful play running in Moscow called *The Exchange*. Still, in the east you don't get garumiped in Moscow. And you can always grove out again if you don't like it.

Michael Binyon

Michael Binyon



P.O. Box 7, 200 Gray's Inn Road, London WC1X 8EZ. Telephone: 01-837 1234

STAND OR FALL

First the miners, then the water workers, next the civil servants. When members of the Civil Service unions were voting in recent weeks on whether to take industrial action over their pay claim, their prospective adversary appeared confident and rigidly entrenched. Now the Government appears vulnerable, humiliated, forced to a compromise twice running. The leaders of the unions were correspondingly full of assurance at the meeting yesterday where plans for action beginning next month were approved. They can pick and choose which to disrupt of the many strategic points in the machinery of administration that are under their control. The results of the ballots and branch meetings up and down the country show that they enjoy substantial support among their followers — even the highly cautious First Division Association has joined the campaign. It is doubtful whether the public widely sympathizes with this identically real sense of grievance, recent pay awards, job security and pension prospects are taken to account, civil servants may all be felt to be enviously well-off already. The pay research team, the abolition of which the Government has keenly sought, would almost certainly be given them a rise in earnings far above the rate prevailing at this moment among other

workers. The 7 per cent offer now before them is somewhat below that rate, but better than what many have settled for in the private sector, where fear for one's job is a relevant factor in negotiations. As for the Government's plan to reduce the size of the service over the years, that has had only minor effects in practice, and would in any case be applauded by most people outside the bureaucracy itself.

Lord Soames has already promised talks about the form of pay bargaining in future. It would be politically impossible to revive anything closely similar to the abandoned system. There are advantages in a formal arrangement for assessing pay, so long as it does not exclude current factors, and gives due weight to the broad truth that a salary is high enough if it is attracting sufficient applicants of sufficient quality. There is room for further reassurance here.

It is clear that extended industrial action could quickly become both inconvenient and expensive for the Government, causing chaos that might take months to clear up. It could also affect the distribution of welfare benefits. If it did, or if national and international defence arrangements were threatened in the pursuit of this sectional claim, as seems possible, the civil servants could

do rapid and lasting harm to their standing in the eyes of the public. They stand in a special position of trust, and the public will not take its abuse lightly.

Partly for the avoidance of unpopularity, striking is to take a variety of partial forms. The Government has prepared equally elaborate countermeasures to reduce its effects. The outcome is therefore particularly hard to foresee. But the case differs from those of the miners and the water workers in several important ways. The strike is not against a threat to the employment of any of those taking it, nor does it involve any direct threat to public health or safety. The employer is the Government itself, not a public sector undertaking with the Government in the background holding the purse-strings. The Civil Service is directly subject to formal cash limits, and other groups in the same position are waiting to follow its lead. The need to control public spending is as great as ever, and is central to the Government's strategy. It can, if it must, borrow to offset a shortfall even of many millions in tax and excise receipts. But unless it strenuously attempts to stand by its policies against the assaults of the civil servants, then its whole strategy will come to seem little more than a dead letter.

WOOP ON 'THE OBSERVER'

at newspapers in chronic deficit may expect to go under if they are lucky, change hands is a warning written on the face of Fleet Street. After a series of the past few months no one, manager, journalist, printer, reader, can fail to see it: the disappearance of the London Evening News into the Standard, the change of ownership of The Times and Sunday Times, and now the attempt to transfer The Observer from Atlantic Richfield Outramps, a part of the Lomrho group. The wonder is that as one newspaper/philanthropist/multi-millionaire retires, another, with fresher hopes and more intentions, steps forward. The latest change, if it receives necessary approval, is welcome in so far as it gives The Observer another lease of life. It is the oldest of the Sunday papers. J. L. Garvin made it the most influential in his day. It has an intellectual force, a moral conscience, and a wide interest that combine to make

it one of the best and least expendable of British newspapers. The change is also welcome if it enables Mr Rowland to execute his declared ambition of starting another London evening paper. The new monopoly in that market is not healthy, and the sooner it is challenged the better. Mr Rowland's takeover, hard on the heels of Mr Murdoch's, also betokens sharper competition among the qualities. That is no bad thing provided the form it takes is competition in quality as the means to success.

There are less encouraging features of the deal. The secrecy, the complete absence of notice or consultation with the staff of the newspaper, or even with its board of directors, betrays an attitude more appropriate to the conveyance of a property with vacant possession than the purchase of a newspaper. It was a humiliation for the staff. Nor can they have been encouraged by the contradictory and in some instances offensive comments issuing from the Lomrho side in

the late hours after the news broke. Reassurance began yesterday, but the new owners have made it a more difficult process than it need have been.

A deeper source of anxiety is the possibility of conflict between Lomrho's business interests and The Observer's journalistic activity and editorial judgment. Lomrho is an international conglomerate of a structure difficult to bring into focus, extensive trading interests, and an appetite for takeovers. Proprietor and newspaper both have long-standing interests in Africa, but their interests do not necessarily coincide. Lomrho's is commercial penetration. The Observer's is to open to public inspection the condition and affairs of that continent and to pass political judgment related to a characteristic moral position. Nor is it only in Africa that the new to be joined commercial and editorial courses may collide. It will take proprietorial restraint and editorial courage to prevent injury.

Debate on economic priorities

From Mr Peter Hordern, MP for Harlow (Conservative). Sir, Mr Charles Morrison and those other friends and colleagues of mine who wrote to you (February 25) seem to me to have described very well how the Government has reversed its policy towards nationalized industries. Indeed, the sum of money that was supposed to be given, or lent, to them is now more than twice as much as was intended less than a year ago. And I think that the plight of manufacturing industry is even worse than they suggest; for if a surplus on our balance of payments can be secured, even with sterling at high levels, it is only because our growing North Sea oil steadily reduces the need to export our manufactured goods to the same extent. This has the most profound implications for industry, for employment, and for the lower rate of exchange. But I see no suggestion as to how the money should be provided; indeed, only that increases in direct taxation should be ruled out. So I can only conclude that for them, at least, money does not matter.

I should have thought that our experience in 1972 and 1973, when the Government printed money as never before or since, and the subsequent explosion in prices and property speculation, and the collapse of fringe banks, was not one to forget. It certainly did not do us good then, and I cannot believe it would help now.

Of course, interest rates should be reduced, but only if accompanied by a reduction in the amount the Government needs to borrow. When I see that, since the Government came to office, the National Health Service has recruited an extra 25,000 people, that the wages of civil servants in the NHS alone will have risen by £980m, that is by 23 per cent in one year by this April, that the local authorities in England and Wales increased their wages by £1,630m, that is by 18.4 per cent, that the wages of teachers paid an extra £900m, that the wages of the armed forces have risen by more, all in one year, I do not accept that there is not considerable scope for reducing the Government's current expenditure and for removing part, at least, of the intolerable burden that has been placed on industry and the country. I trust we shall not see higher inflation following higher unemployment, but that is the risk, if the Government prints too much money, and unless it brings its own expenditure under control.

PETER HORDERN, House of Commons, February 25.

From Mr L. David. Sir, We have about 2.4 million unemployed, at £3,200 per annum each costing about £7,680m. We also have unemployed steel, cement, machinery, etc. production capacity.

Of greatest economic use to us and future generations would be the Channel tunnel, a tunnel linking Euston/King's Cross with Victoria/Waterloo. Immediate start on these projects appears to be indicated. Yours sincerely, L. DAVID, 1000 Morden Road, 25-28 Southampton Street, WC2.

Natural selection

From Mr H. G. Beindorf and Mr D. E. Loukidellis.

Sir, A recent edition (February 16) of your newspaper contained a report on Professor Randolph Quirk's arguments at the University of London for the suitability of English as a language for international communication. While we do not seek to deny that English is a language richly endowed with literary masterpieces, it would seem that the popularity of English is indeed a result rather of successive British and American domination of international affairs than a manifestation of global reverence for English literary genius.

May we suggest also that there are linguistic reasons which, coupled with the above historical realities, may account for the currency of English as an international language. Simply put, English owes its position less to "native speakers of inventive genius" than to the simplicity of both its inflexional system and (core) lexicon.

Finally, if the wish is often father to the thought, we would hope that statistics which would confirm the most obvious superlatives of English — its simplicity and its core — would be undertaken to confirm a preconceived notion.

Yours truly, H. GUSTAV BEINDORF, DAVID E. LOUKIDELLIS, 8000 München 70, West Germany.

Music in schools

From Mr Trevor Lytleton. Sir, I believe it was Sibelius who said that he preferred the company of businessmen to that of musicians, because businessmen talked about beautiful things like art and music while musicians only talked about money.

No wonder, when the composer is called upon to subsidize everything from the first year of the new highly profitable commercial radio stations, to charitable functions and church services. Now Joan Bulmer-Thomas (February 21) warns composers and others to subsidize the cost of music in schools. Why pick again on the poor composers, 80 per cent of whom earn less than £250 per annum from the Performing Right Society? Why not call upon those who, equally innocently, supply schools with the photocopyers, electricity, and other aids to helping them to subsidize school music instead?

Yours sincerely, TREVOR LYTLETON, 36 Brook Street, W.1.

LETTERS TO THE EDITOR

Helping the people of El Salvador

From Dr David Browning.

Sir, One of the tragedies of countries such as El Salvador is that, as they become the object of concerned international public opinion only when they become the focus of international power politics, informed discussion and understanding of their problems become lost in the polemics of cold war clichés and propaganda. Mr Clarridge's letter to you of February 24 appears to be a good example of this.

For centuries the majority of people in El Salvador have suffered from poverty and injustice. One hundred years ago, in the interests of the commercial cultivation of coffee, these people had their land, the vital basis of their economy and society, confiscated and transferred to the ownership and for the exclusive benefit of a small privileged elite. A direct result was the disintegration of rural society and the emergence of a landless, migrant and exploited peasantry. Subsequently the degree of poverty became obscene and the injustice intolerable. Rebellion was inevitable and the 1932 uprising was suppressed with inexcusable ferocity.

Western powers (blame should not be attached exclusively to the United States), though having the power and ability to oblige successive administrations to rectify this situation, have failed to do so. On the contrary, they have supported the status quo by military aid and through economic aid too often have encouraged local economic policies which have been inappropriate and irrelevant. Nor has the Church in El Salvador been blameless; until recently it remained silent and acquiescent.

Those groups within El Salvador who worked for essential internal reforms — and the present President of El Salvador was one of these — have been reduced to helplessness. Consequently the middle ground has been eroded to the present point where forces of the extreme right confront those of the extreme left; with each receiving support from their external sponsors. Victory by either before it is too late, will bring much benefit to the El Salvador. Amnesty International and The Sunday Times recently have documented the inhuman tactics of repression by terror which appears to be the only policy of the extreme right. The experience of those Third World countries now under communist rule make one confident that a communist regime in El Salvador would be any less repressive: in neighbouring Nicaragua, where a skillfully managed communist revolution has been in progress since 1979, the introduction of those instruments of political repression that are such a constant feature of communist rule.

The immediate crisis of El Salvador will be resolved within the context of United States strategic

interests regarding the Central American isthmus and the desire of the Soviet Union to extend its political influence in the Caribbean region. In these circumstances it is difficult to be sanguine about Mr Clarridge's prediction that "the victory of Salvadoreans is certain". Perhaps, however, it is not unrealistic to hope that out of the present sufferings in El Salvador there will at last emerge a stronger and more selfless response by Western powers, and a more effective cooperation with Mexico and Venezuela, to the needs and aspirations of the people throughout Central America.

Yours faithfully, DAVID BROWNING, St Cross College, Oxford, February 25.

From Mr K. R. G. Smith. Sir, My wife and I have followed with considerable interest the reporting of events in El Salvador on television in this country.

We have known for many years in El Salvador until the end of 1974 and knew that events such as those shown would happen sooner or later. We were involved with the Episcopal Church in helping small aid projects and a medical dispensary within the country. During our time there an election was held in which the right wing candidate, Colonel Molina, was elected President despite the probable victory of a "left wing" politician, Napoleon Duarte. There followed a coup d'état in which the incumbent President, Sanchez Hernandez, was captured after a takeover by the army. This subsequently collapsed as soon as Napoleon Duarte had come on the radio to appeal for calm and to support the rebellion. The Guardia Nacional returned, President Sanchez Hernandez was put back in power and Duarte fled for his life to the Venezuelan embassy before going to exile.

It is sad, therefore, to see Duarte portrayed as a right wing extremist now, since he has long been popular in San Salvador as a liberal politician. He has a near-impossible task to fulfil in El Salvador, where years of uncontrolled population explosion, encouraged by the strong Catholic Church, has left a legacy of poverty and overcrowding. This poverty has been exploited by the rich, and their inherent cruelty from the Spanish culture of the Conquistadores handed down in Central America, has ensured an enormous gulf between rich and poor.

Nevertheless, Napoleon Duarte does represent the middle class Salvadoreans who have brought in labour laws, social security and land reform.

Yours faithfully, K. R. G. SMITH, 69 Quarry Road, Winchester, Hampshire.

Labour and the centre

From Mrs C. J. P. Willis.

Sir, A new social democratic party will need to be more than the "left of the Tories" that Mrs Shirley Williams claims it will be. It needs also to be a considerable threat to a left-dominated Labour Party (and there are rather fewer signs that it will succeed in this, otherwise it will like the Labour Party before it, do relatively well when the electorate is discontented with a Tory Government, but unless it can achieve the power to enable it to change the present electoral system it will quickly be perceived as a party with no very great effect on the Labour vote, and that a vote for it brings to power a Labour Government robbed of any restraining influence of social democrats — whereupon the discontented Tories will return home while they still have to do so.

Mrs Williams and her friends should therefore be more concerned to make a real impact upon the traditional Labour vote, rather than congratulating themselves in advance on their probable electoral success. They will need more than this, and if this is all they achieve they will surely fail in the task they have set themselves.

Yours faithfully, MARY WILLIS, Little Redstone, East West Molesey, Surrey.

From Miss Enid Lakeman

Sir, Why does Jeremy Tigue (Letters, February 14) need any explanation for the loss of her seat by a personally popular MP? Under our electoral system that sort of thing is all too common.

In 1979, as compared with the previous election, Shirley Williams's share of the total poll in her constituency declined by four per cent, and because her party was very little ahead of the Conservatives there, this resulted in her losing her seat. Williams's share of the poll in his constituency declined by 10 per cent, but since his party there was still very comfortably ahead of the Conservatives it made no difference to him.

Under the single transferable vote, on the contrary, if a party loses seats the MPs who disappear will be those whom the voters think can best be spared.

Yours faithfully, ENID LAKEMAN, Editorial Consultant, The Electoral Reform Society, 6 Chancery Street, Blackfriars, SE1.

Remarkable reversal

From Lord Kilmarnock.

Sir, While General Franco was alive he seemed to me that a Bourbon restoration after his death would prove a viable proposition. King Juan Carlos of Spain has proved me wrong.

The importance of the principle of loyalty both to himself and to the constitution that the King has managed to establish in the armed forces cannot be overstated. Had it not been for his personal influence, it is highly doubtful that the Army would have accepted that vital step on the road to Spanish democracy, the recognition of the Communist Party.

Now, once again, Don Juan Carlos has demonstrated his crucial importance to the continuance of democracy in his country.

New Concert of Great Powers?

From the Master of St John's College, Cambridge.

Sir, The text of President Brezhnev's speech (report February 24) suggests that he has proposed something more comprehensive than a summit meeting with President Reagan. What he seems to be proposing is that Soviet Russia and the United States should take the lead in establishing a Concert of the Great Powers.

Your report of the welcome given to his "new and remarkable innovations" by the American Secretary of State (February 24) is therefore encouraging to those observers with an interest in the history of international relations who have long foreseen that both super-powers would one day conclude that their attempts to solve international problems by unilateral action or through exclusive alliances are incompatible with détente and doomed to be frustrated.

If it is indeed true that the Soviet and US Governments have now reached this conclusion, they will still find it difficult to translate their wishes into action by re-activating either the Security Council or the less formal machinery of the 19th-century Concert. Is it too much to hope that the British Government, together with the Imperial Russian government did so much to launch the old Concert in the years after 1815, will give some thought to what it might do to help to relaunch the new one?

Yours sincerely, F. H. HINSLEY, The Master's Lodge, St John's College, Cambridge, February 25.

The Pope's call

From Lord Brockway.

Sir, As a non-Catholic may I pay humble tribute to the Pope, shown by his Hiroshima appeal (report, February 25), as the greatest influence for peace, for justice and for poverty, and urge all Catholics, Protestants, those of other faiths and humanists alike, to devote themselves to achieving disarmament by the renewed United Nations Disarmament Assembly in June, 1982. This will be the best homage to the Pope.

Sincerely yours, FENNER BROCKWAY, The World Disarmament Campaign, 21 Little Russell Street, W.C1, February 26.

Crime prevention research

From Mr Louis Bloom-Cooper, QC.

Sir, We are disturbed at reports of an imminent cut-back of 40 per cent in the professional staff of the Home Office Research Unit. The Howard League has long maintained that research is an essential basis for the effective use of long prison sentences, and attendance centres, despite a reduction in staffing from 80 to 69 between 1975/76 and 1980/81. The cost in 1980/81 is only about £1m, plus £500,000 for experimental research.

As a member of the Advisory Council on the Penal System from 1966-1978 I greatly appreciated its ability to provide the information we required. Its research has sometimes thrown doubt on the received wisdom that the level of crime in the community is likely to be reduced by crime prevention strategies rather than by increasing the size of police forces or the length of prison sentences. One of the most valuable functions of research is precisely to show how to obtain better value from law enforcement expenditure.

We hold no special brief for the Unit, but at a time of great anxiety about both crime and the penal system we should greatly regret any reduction in research work. Yet the percentage of the law enforcement budget spent on research has been lower in the last four years than in the early 1970s, and the amount spent in 1979-80 has been steadily declining in real terms since 1973/74.

I hope that the Home Secretary will not make false economies and then wish, like those who do not understand the value of research, that he had been better informed.

Yours sincerely, LOUIS BLOOM-COOPER, Howard League for Penal Reform, 169 Clapham Road, SW9, February 24.

Getting BR shipshape

From Captain J. A. R. Swainson.

Sir, When I was in the Royal Navy, a smart sailor meant a smart ship and a scruffy sailor meant a scruffy ship. British Rail is in the same boat and the same judgement can be used.

I assume Sir Peter Parker would admit to being in charge of a uniformed body of men but has he looked at the uniform lately? I have never seen so many cowboys in all my life. Training shoes, coloured tunics, funny hats, everything in fact but the uniform. So the next question is, what has happened to the supervisory grades? The NCOs, if you like, who see that the uniform regulations are adhered to? The men must pay a heavy bill to equip all British Rail personnel with uniforms. Where is the middle management to see that they wear it properly?

A scruffy porter, a scruffy railway, so began the premise in my letter. Take a look around at any railway station and scruff will predominate on the Hastings line and Waterloo and Charing Cross are constantly full of piles and piles of rubbish and junk. The left-overs no doubt from work gangs and never cleaned up properly.

Does Sir Peter Parker ever walk around a railway platform using a seaman's eye? Where have all the NCOs gone? Yours faithfully, A. SWAINSON, 48 Springfield, Tunbridge Wells, Kent, February 25.

Adding industrial films

From Mr Thomas Dalby.

The letters by the Chairman of Technicolor Ltd (February 10) and Mr John Wall (February 13) stress the impermanence of colour in certain cinematic film, and Mr Duffield, of Technicolor Ltd, describes ways and means by which original negatives may be protected by producing three strip separation masters. It needs to be stressed, also, that the vast majority of industrial films produced today are in colour and that these films may not always realize that industrial films are often the only source of archival material which future generations of archivists may have when searching into applications of recent industrial and scientific researches.

Yours faithfully, T. DALBY, 4 Westbourne Park, Scarborough, North Yorkshire, February 18.

modern film maker, the images would have faded and been beyond recall.

Much of today's industrial record is preserved on colour film: it is to be hoped that the wise and practical advice offered by Mr Duffield and Mr Wall will be accepted and acted upon so that the images will be truly preserved for future generations of social and industrial researchers.

Yours faithfully, T. DALBY, 4 Westbourne Park, Scarborough, North Yorkshire, February 18.

Rich but troubled waters

From Mr H. David Toulson.

Sir, With reference to the feature in The Times (February 23) "The oil that hasn't helped to calm the Falklands",

If Britain were to lose these islands, it would not only be the Falklands that would be lost, but also South Georgia, Black Shag and other islands. The South Sandwich and other islands and the British Antarctic Territory. Without a 200-mile limit placed around those islands, Britain would not only lose the oil potential, but also some of the richest fishing grounds in the world.

Before it is too late HM Government must be strong and resolute and defend what is British from military dictatorship.

Yours faithfully, H. DAVID TOULSON, Member of the South Atlantic Fisheries Committee, 14 Ties Lane, Knebworth, Herts, Yorkshire.

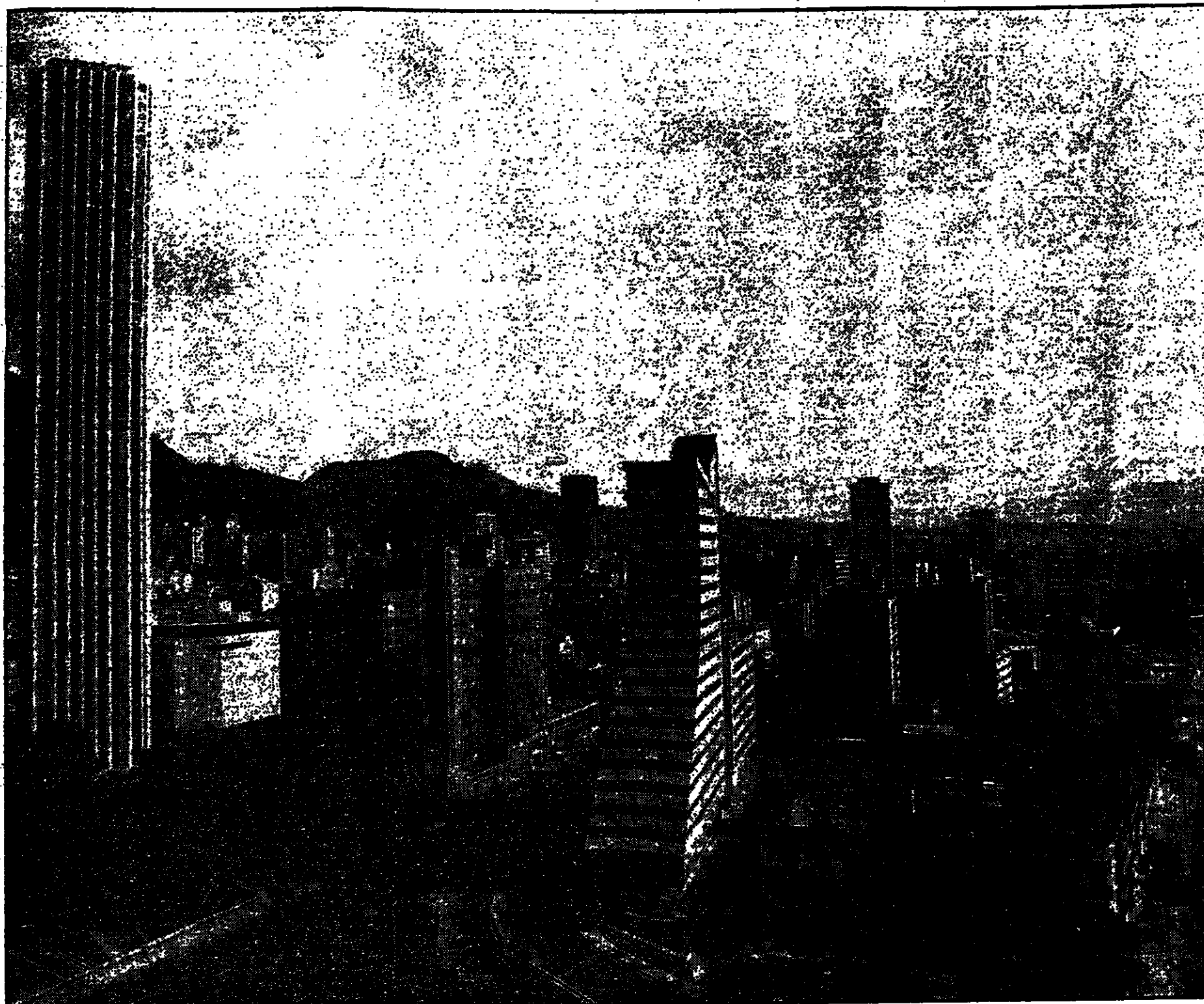
Revolution in employment

From Mr J. D. Richard.

Sir, What are the "leisure hours" referred to by Sir Philip Rogers (February 21)? Every retired man I know is busier than he has ever been. Does the man exist who has done all the "little jobs" in his house and garden (and the old lady's next door), answered all his letters, cleaned his car or bicycle to his satisfaction, practised cookery enough to give his wife, for whom there is no retirement, the odd day off — and still has time on his hands? If so, let him sit down and write a book to tell the rest of us, who long to find time for hobbies, how it is managed!

Yours faithfully, J. D. RICHARD, 24 Cavendish Road, Henleaze, Bristol.

COLOMBIA



Bogotá, capital of Colombia, sits more than 8,000ft high on an Andean plateau deep in the interior. Photograph: John Hillelson Agency.

In 1912 a Mr Warner slung an 890-metre cable between the great hills of Montserrat and Guadalupe, that tower over the east side of Bogotá, and walked across blindfold. He was, of course, an Englishman. While few Colombians seem to remember Mr Warner's dangerous stroll, their own rare version of the democratic system has for some time been doing a passable imitation, writes Alan Robinson.

But the winds of change blow sharp and cruel across this lovely country of 27 million people. They blow from north and south, from left and right, from the militarized Southern Cone and the embattled Central American republics; from the forces of subversion within Colombia and from the nation's Armed Forces. The cable has been swaying wildly of late and the system has performed prodigious balancing acts.

Faced with the likely alternative, the majority of Colombians fervently hope their strange democracy makes it all the way across. They cannot be sure of it, because there are obstacles that cannot be stepped over or kicked aside: abject poverty, high unemployment, rising lawlessness, widespread cynicism and discontent with the dominant political parties, along with a lopsided distribution of national wealth whose injustices would make a Mexican blink.

Colombian democracy exists by virtue of a flexible oligarchy of families that has created a control system unequalled anywhere in Latin America for its complexity. It is hard to find a minister or ex-minister whose family tree is not laden with former ministers.

The durability of the system was exemplified when President Julio César Turbay Ayala went to Washington for an eye examination in mid-February. His substitute—installed with much circumstance and not a little pomp for a period of nine days—was Dr Victor Mosquera Chaux, wealthy senator for the department of Cauca and a descendant of a president who ruled the nation for almost four terms 150 years ago.

The Liberal and Conservative parties have dominated politics throughout Colombia's history. In 1948, the assassination of Señor Jorge Eliécer Gaitán, the Liberal Party's presidential candidate, provoked a bloody civil war between them. "La Violencia" killed 300,000 Colombians and ended with a military coup that brought General Gustavo Rojas Pinilla to power.

His attempt to create a Peronist-style regime led to his overthrow in 1957 and

On the Conservative side, the favoured candidate is Señor Alvaro Gómez Hurtado, the son of a former Conservative president and the owner of a daily newspaper, *El Siglo*. His main challenger is the twice-defeated Señor Belisario Betancur, a populist. The Conservatives are busy trying to forge a new right. The options seem to be a type of christian democratic trend or what one Liberal observer describes as a "Thatcher-Reagan style conservatism". Señor Gómez Hurtado represents the latter.

One of the results of this tightly-controlled system is that the political centre has been strengthened and the extremes of left and right weakened. The Communist Party is legal, has two representatives at national level, and is very much a part of the establishment. The true opposition is clandestine and subversive, with not much popular support.

The Moscow-line revolutionary Armed Forces of Colombia (FARC) is the oldest of the guerrilla groups and numerically the strongest, but the bulk of its members are penned up in the thick jungle region of Caquetá where about 8,000 troops were deployed to bound them in January. The Popular Liberation Army (EPL), which looks to Peking for inspiration, is in a similar desperate plight in Córdoba on the Caribbean coast.

The National Liberation Army (ELN), whose most famous member was the late revolutionary priest Camilo Torres, has broken into quarrelling groups, some of which remain active. All in all, the rural revolutionaries pose no threat to stability.

The urban-based M-19, whose spectacular exploits include the two-month occupation of the Dominican Embassy in Bogotá last February, has gained some admiration among the population for its daring. One such coup—the theft of 5,000 small arms from an army barracks in Usaquén—infuriated the military and probably brought on the worst phase of army repression in late 1979 and early 1980.

The M-19 is seriously divided. It is variously characterized as nationalist or Christian or fascist or even an ideological mixture. At least 200 reputed M-19 members are undergoing military trials, largely in secrecy, while some 30 members of the FRAC are also being tried by army courts.

The militarization of rural Colombia became inevitable when President Turbay turned the army loose on subversion and the drug trade. On taking office he

continued on next page



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COLOMBIA

Coffee

An empire of small private fiefs

It is a far cry from Colombia's host of tree-shaded coffee farms perched more than 3,000 feet up on the sunny slopes of the Andes, to Bogotá with its Manchester sky, and an even farther one to London in October. Dr Arturo Gómez Jaramillo, head of the Federación Nacional de Cafeteros, has made his mark in all three places.

Dr Gómez has run the federation for the past 25 years and is only the second director in its history. It groups Colombia's 315,000 private coffee growers, more than half of whom operate on less than 15 acres each, and has become something of an empire in itself.

The organization has a bank, an insurance company, a merchant fleet, sugar mills, warehouses and offices. Little wonder that Dr Gómez is known as "Mr Coffee", a title he dislikes and disclaims. "I don't like to personify things", he has said.

He is also known as a formidable negotiator and has been described by one member of the Government as "one of the most powerful men in Colombia". From his spacious office at the federation he has seen Colombia's coffee production boom from 5,500,000 sacks to 12,700,000 during his 25 years in office. Exports have leapt from five million sacks to 11,400,000 last year.

Colombia is the world's leading producer of mild coffee, and stands second to

Brazil in total production. The frosts that blighted Brazil's crop in 1975 and again in two subsequent years, drastically cut the world's supplies to the benefit of Colombia whose share of the world market rose from 12.5 per cent to 19 per cent, while Brazil's share dropped from 25 per cent to 21 per cent.

Happy Colombians thought this would go on for ever. But in 1980 Brazil did not have its expected cold spell and the prospects of all its coffee coming on the market reduced the international price to \$123 a lb by September. Brazil then began an aggressive sales policy, and eventually the principal producers decided to avoid a price war by returning to the quota system which had been suspended when demand was outstripping supply.

Brazil, among others, was not happy about the change in the balance of the international coffee market, and Colombia, Indonesia and Mexico did not want to lose everything that they had gained. It looked as if agreement would be impossible. There was a great deal of coffee, not just in Brazil but everywhere else.

Colombians believe that Dr Gómez's presentation at the October meeting in London of the International Coffee Organization was decisive in ensuring a healthy export quota for his country.

He told the delegates of

the producing and consuming nations that the existing coffee agreement could not be applied in a rigorous form, because "if we don't recognize the change in the world structure of production, it won't be viable". The problems in the way of agreement would be many, he said.

After long and hard negotiations, Colombia obtained a quota of 700,000 sacks, or per cent of the world market, an increase of 40 per cent over the figure it would have had under the initial conditions of the international agreement.

At home, the federation continues to fight for a rise in domestic coffee prices. The industry's profit has suffered from inflation, but the Government has granted only minimal price increases.

When reviewing his 25 years at the head of the federation, Dr Gómez said that in 1955 there was only one coffee-growing cooperative. Today there were 56, uniting 125,000 small farmers and giving them access to credit and technology.

The Grancolombiana merchant fleet—one of the most important in Latin America—has 25 ships with a total capacity of 320,473 tons, and an equal number of vessels under charter; it takes Colombian coffee to 51 countries. The Coffee Bank (Banco Cafetero) has 288 branches and is the third largest bank in Colombia; the federation's insurance

company covers growers' risks, provides life and accident insurance, and export cover.

With government participation, the federation built a sugar mill in the Cauca Valley, where production will reach 73,500 tonnes of refined sugar this year, and it has created 10,000 jobs in the area. Another sugar complex is planned for the Colombia-Venezuela border zone, representing a joint investment between the two nations.

The United States remains Colombia's largest coffee customer, but the BEC countries are buying more than before. West Germany is the largest European buyer. Dr Gómez laments Britain's lack of interest. "There's a lot of awful coffee in Britain", he says.

Colombians are great believers in the product and drink a great deal of it; secretaries in most offices in Bogotá absorb 10 or more cups a day. Britain, with double Colombia's population, drinks not much more in total quantity, while Mexico with 70 million people consumes only about 1,500,000 sacks.

The slightly-built, soft-spoken "Mr Coffee" takes four small cups of black coffee (called *tinto*) during his working day. Between calls to and from London, Rio, Brussels and Bogotá, he looks up and says with a wry humour: "You could go back and tell the British how good it is."

Alan Robinson

Industry

Imports blamed for decline

While the state statistical agency DANE has said that industrial production rose only 2.7 per cent in 1980, the National Association of Industrialists (ANDI) reports that output sank by 0.6 per cent. Either way, it amounts to recession compared with the 4 per cent to 11.4 per cent growth rate recorded over the past few years.

A sign of the times in February was a declaration by the Federation of Metallurgical Industries (Fedemetal) that its sector was in crisis. The Government's attempt to gradually remove protection from domestic industry was the trouble.

"Every day the market belongs less to Colombian businessmen and Colombian workers", Señor Carlos del Castillo, DANE's statistical director, said. "It is madness to continue opening our borders [to imports] indiscriminately. The Government may be going well, but the nation is going badly."

"Even DANE's statistics picture a gloomy future for the industry is desolate. It is a no growth situation that the thick curtain of happy statistics put up by the Government cannot hide."

Transport, equipment, wood products, electrical machinery, textiles, leather goods and non-metallic minerals' reported sharp declines.

A small battle broke-out among statisticians when DANE's figures of 5.9 per cent up to June last year and was challenged abruptly by Fedesarrollo, an independent research organization headed by Señor Miguel Urrutia, the former mines and energy minister who maintained that production fell 7.6 per cent in June and 5.8 per cent in August and had fallen for four consecutive months.

The industrialists of Colombia are complaining about many things including the Government's alleged failure to give the country adequate transport. They complain about the ports: "How can we trade without proper railways and ports?"

They also worry about the so-called underground economy and the lack of control of smuggling and the drug trade. They oppose the gradual lifting of protective barriers for domestic industry and lament fuel shortages and electricity cuts.

Industry's performance in 1980 did nothing to improve the availability of jobs. Colombia has an available workforce of eight million and estimates of unemployment are between 10 and 12 per cent. Other statistical skirmishes among economists, whose guesses range from 6 per cent to 12 per cent.

The official view is 6 per cent unemployment. ANDI federations were threatening a general strike, but industrialists tended to think this was all noise. "After all, the unions are really part of the establishment", one businessman said.

Whether or not the unions are "establishment", discontent is growing among the workers and the unemployed as inflation makes life difficult. Dr Borrero admits that the Government is the nation's biggest employer with a workforce of about 800,000. The minimum wage in Colombian urban areas is about \$120 a month, less in rural zones. Many unprotected workers do not get even that. Army generals recently got a rise to just over \$2,000 a month. The difference was noted bitterly.

Industry is not investing at the levels some would like to see. Industrial stocks in the markets of Bogotá and Medellín are not attracting investors because stock yields carry a 40 per cent capital gains tax. Money flows to government bond issues which are tax exempt.

Credit for industry is short-term, carries interest rates of up to 40 per cent and the interest is payable three months in advance, he noted.

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Economy

Big investment needed

Although statistics differ greatly at times, Colombian economists in general agree that 1980 was neither a brilliant year nor a bad one.

They also agree that the gross domestic product grew by about 4 per cent compared with the 1979 figure of 5.1 per cent. The nation managed to register a \$626.9m current account surplus in spite of a \$106.2m trade deficit, bringing international reserves to about \$5,200m.

The inflation rate at consumer level slackened from 28.8 per cent in 1979 to 26 per cent last year, while the average for Latin America remained at over 50 per cent. Fairly strict monetary policy in the first nine months of the year effectively froze 46 per cent of the money supply and resulted in nil credit growth in the first half. By October the foreign public debt had jumped 44 per cent above the figure for the previous year and the government guaranteed loans rose by 31 per cent. The debt stands at just over \$4,000m, the lowest among the seven largest Latin American countries, and 94 per cent of it is in United States dollars.

Heavier government spending and investment signalled that the Government's national integration plan (PIN), covering the 1979-82 period, is well under way. These expenditures surpassed \$8,000m, 75.1 per cent up on the previous year with capital expenditures accounting for 27.6 per cent of the total. Investment in agriculture by the state rose by 91.3 per cent, in mining by 149.6 per cent, in health services by 252.2 per cent.

The PIN analysis of the economy emphasizes that the population's doubling rate is 35 years and not 23 years as it was a generation ago (the present birth rate is down to 2 per cent) and that the mass migration to the cities from the countryside has started to slacken.

Noting the present status of Colombia as an oil importer (which it became in 1975), the neglect of the mining sector, the decline of public investment since the 1970s, the general inadequacy of transport and communications, and the low capacity for electricity generation, the PIN proposes public investments amounting to \$22,000m by 1982. About a third of this would come from foreign loans.

The main aim of the plan is to develop oil, mining, transport, communications, health services, and to accelerate administrative and economic decentralization of the nation by making the regions fairly autonomous.

If the energy sector is not developed, about 40 per cent of all export earnings would be paying for fuel imports within five years, the PIN points out. Nearly \$4,000m will be invested to increase installed electricity generation capacity by 75 per cent.

Expansion of transport and communications will be vital to growth and some \$500m of new roads will be built, another 1,350km reconstructed and 1,721km refurbished.

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Despite sharp decreases in some industrial sectors, soft drinks, tobacco, furniture, clothing, shoes and petroleum products showed better performances.

Colombian agriculture has been described as "plastic" and has put the country close to self-sufficiency in food stuffs. Last year, food imports totalled only 700,000 tonnes, in comparison with Mexico's massive imports of over 10 million tonnes of basic grains. Colombia imported 476,000 tonnes of wheat, 164,000 tonnes of corn and 42,000 tonnes of sorghum. Agriculture accounts for 31 per cent of gdp and employs 30 per cent of the national labour force, comparing favourably with farming's contribution to gdp in Mexico (11 per cent), Brazil (12 per cent) and Argentina (13 per cent). It was reported recently that exports of cut flowers alone brought in more than \$10m last year.

Coffee remains the largest crop and the biggest source of foreign earnings by far. Production rose from eight million tonnes in 1979 to 12 million tonnes in 1980 and edged up about 4 per cent last year. About 70 per cent of the crop is exported, claiming 17 per cent of the world market and 60 per cent of Colombia's total exports.

The promotion of mining and non-traditional exports is seen as vital when coffee prices are falling on world markets. Colombia exported \$827m worth of merchandise in 1979, and Argentina in 1979, and manufactures took up a large part of that. As the fourth largest manufacturing nation in Latin America after Brazil, Mexico and Argentina, Colombia is busy trying to push these goods in the region.

The "underground" economy of marijuana and cocaine is harder to estimate. Dr Miguel Urrutia, former Mines and Energy Minister, who runs a non-profit economic research organization called Fedesarrollo and describes it as "the Colombian Brookings Institute", thinks that drug export trade takes in about \$580m a year.

A confidential report by a multinational company in Colombia states that between 30,000 and 70,000 hectares are under drug cultivation in the Guajira region along the Caribbean coast; along the border with Panama; and in eastern Llanos, in the Meta department. The yield is estimated at about 1.5 tonnes per hectare, but could go as high as four tonnes in some places. Subject to military vigilance and climatic variations, the annual harvest ranges between 20,000 and 60,000 tonnes. The United States market takes an average of 12,000 tonnes annually, 60 per cent of it from Colombian producers. About 20 per cent of the attempted drug exports are seized by the authorities. The French study estimates that Colombian drug income varies between \$655m and \$3,000m a good year. "If removed overnight", it says, "it would be an economic and political blow for the system."

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Democracy clinging to a tightrope

continued from previous page

listened closely to General Luis Carlos Camacho Leyva, the Defence Minister, and his top officers, who told him that if the system were not bit hard the system would be in great danger. In effect he gave them carte blanche to stop it with his 1978 security statute.

Violations of human rights, torture and murder, were denounced by establishment figures such as ex-President Carlos Lleras, even before Amnesty International produced its damning report. It is almost certain that the army's free hand was getting freer than the civilian government had supposed.

Government control of the Armed Forces is a traditional part of the Colombian system. No army officer becomes a general without the approval of a special congressional committee. Generals owe their careers to civilians who must first be sure of their loyalty. Unlike Argentina and Chile, where the army is an upper-class career, Colombia gets its officers from the middle class and if they are to rise they must behave.

All kinds of privileges have been given the top generals by the Turbay Government and the army has responded with well-publicized demonstrations of solidarity. The Colombian Armed Forces is a traditional part of the Colombian system. No army officer becomes a general without the approval of a special congressional committee. Generals owe their careers to civilians who must first be sure of their loyalty. Unlike Argentina and Chile, where the army is an upper-class career, Colombia gets its officers from the middle class and if they are to rise they must behave.

There are several signs that the situation is improving. One Western diplomat says the substantial flow of people seeking political asylum in 1979 began drying up in 1980. Military intelligence on guerrilla movements has improved. "The Government has its psychological measures and is getting the better of them", he said.

Indeed one wing of the M-19 is reported to be considering entering the electoral fray when the Turbay amnesty comes into force. The amnesty requires guerrillas to give themselves up, but it will not pardon certain acts which the President maintains were not committed in the heat of battle. He and the army also

trying to buy them", one economist said. In spite of government attempts to discredit Amnesty International's report, few were convinced. The Liberal newspaper *El Espectador* attacked the Liberal President and defended the report. It also published Amnesty's paper on violations of human rights in the Soviet Union to refute President Turbay's suggestion that the group favoured communist regimes.

One ex-minister was so shaken by the report that he approached Anibal Muñoz Duque, the Chaplain-General of the Army, for reassurance. "I am not aware that torture has taken place", he was told, "but those interrogations are tough. I wouldn't want you to be present at one."

This was cold comfort for a decent man, and there are many like him in Colombia. Ironically, one of the biggest military trials to be held in Latin America is taking place in an army chapel—by express permission of the Chaplain-General. The same former minister believes the military courts have brought the army much trouble and unpopularity and will not be repeated.

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spurned suggestions that the amnesty should include military men who have committed violations of human rights. The generals termed that suggestion "insulting". Lawlessness in the cities has led to further action, but unemployment of at least 8.4 per cent (and probably 11 per cent) among the eight million-strong labour force, and the ravages of inflation, combine to keep the wave of break-ins and "low-level" kidnappings (mainly of children) going. The slums in the south of Bogotá are alarmingly violent. Another Western diplomat was worried about the hostility he felt when driving through those areas. One gets the impression they are uncontrolled, not merely contained", he said.

A British businessman is moving his office north for security reasons and he is not alone.

Meanwhile army action against the drug underworld has driven the trade increasingly away from the Guajira region, south toward Meta, from where small aircraft fly over the flat land across Venezuela to the Caribbean at only 3,000 metres and by night. An American geologist, based at a ranch owned by Mr Robert Kennedy, Jr, in Llanos, said single-engine Piper and twin-engined Skyhawks take off at the rate of 15 to 20 a night in that area, loaded with cocaine. Recently one had to land with 70 kilograms of the drug on board. The crew returned and brought it back from the police", he said.

Colombia's flawed and social variety of democracy is still on its tightrope, clinging by the skin of its teeth, but not quite falling off. Señor Rodrigo Botero, a former finance minister, said: "I am prudently optimistic." Mr Warner, poised on his cable high above Bogotá, would probably have said much the same thing.

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Foreign policy

Andean Pact takes on political flavour

Contraband

Drugs no drug on market

Both the Mafia in the United States and a Colombian variation are now said to be in control of the trade. Miami has become a major centre for cocaine, which is produced in Colombia and moved into the eastern seaboard.

Only 20 per cent of the money generated is thought to return or remain in Colombia but it is enough to produce the usual tales of corruption. One regional governor resigned last year while local policemen are said to have given the choice to buyers 33 times their purchase price.

Benefit from this trade—juggling the profits against the international pressure for controls—varies, it is seen. There is little doubt that the new Reagan administration in Washington will want to adopt a tough policy on drugs. That can only mean fresh pressure. Attitudes towards cannabis have softened in the States, but cocaine is still regarded, rightly or wrongly, on a par with heroin.

Stewart Tandler
Crime Reporter

In the past few years, however, the pact has become increasingly political, and there have been attempts to establish a common foreign policy. This trend was encouraged by the Carter administration in Washington, which saw the pact as a democratic counterweight to the military governments in the Southern Cone.

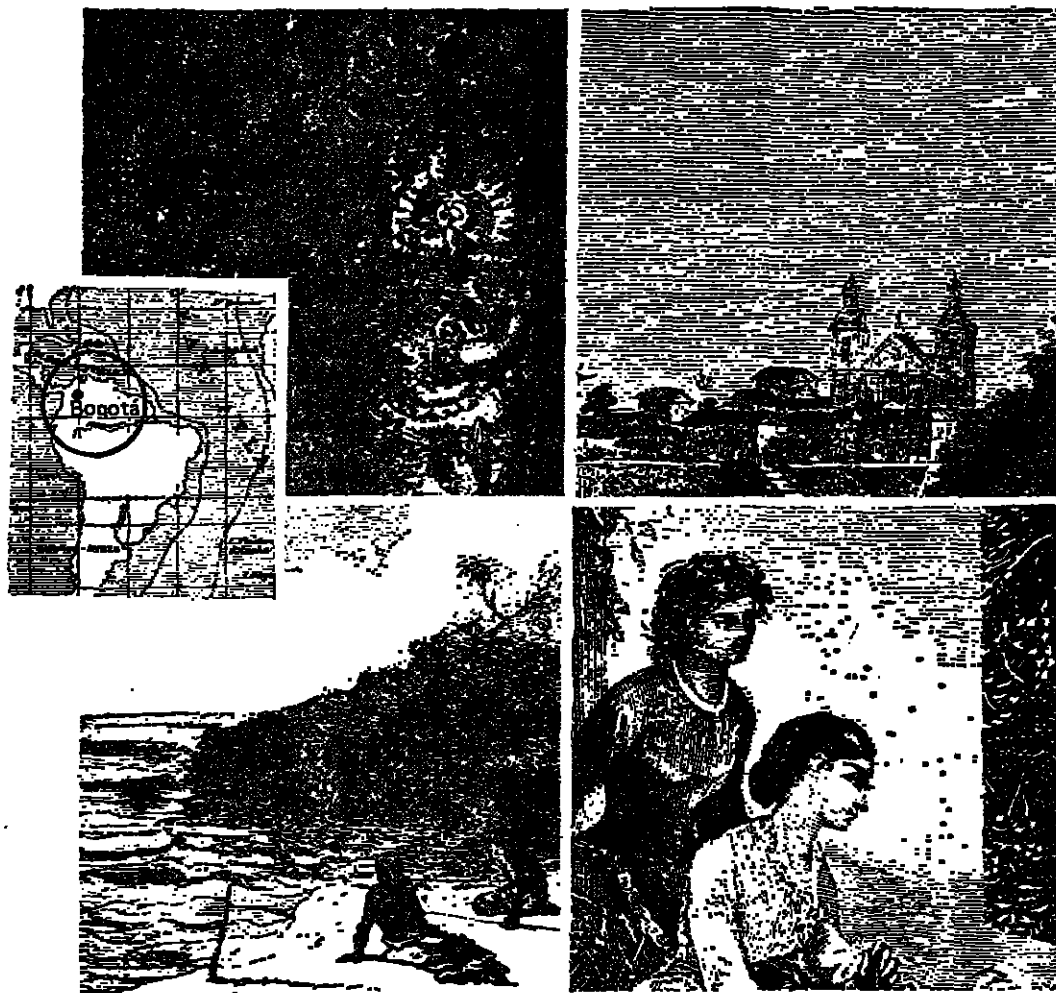
After last year's Bolivian coup, for instance, it was less activist than Ecuador. The Andean Pact countries as a whole condemned the coup, carried out by the armed forces under the leadership of General Luis Garcia Meza; and Colombia, as the host country, did not invite

The issue is nowhere near so controversial in Colombia, and there is little opposition to the terms of the provisional agreement. But relations have been embittered by the reaction in Venezuela, and the issue is far from being settled. Colombia has offered to take it to the International Court of Justice in The Hague, but Venezuela has refused.

Both Colombia and Venezuela are concerned about the fighting between Ecuador and Peru, because of the threat to the cohesion of the Andean Pact. When fighting broke out President Júlio César Turbay Ayala of Colombia and President Luis Herrera Campins of Venezuela sent a letter to the two countries offering to help to

Peter Strafford

The golden gate of South America



COLOMBIA

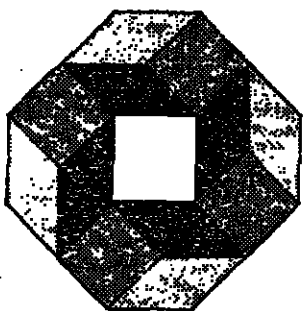
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COLOMBIA

Mining

Poised for great leap forward into age of coal

When a Colombian tells you the future looks black he is generally referring to coal, not politics. This country is sitting on vast reserves of high-quality coal, by far the largest in Latin America, still mostly unquantified and in many places incapable of being mined, because of deficient support services and inadequate transport.

Colombian mining tradition, which centred on gold and emeralds, is turning to coal, nickel and eventually uranium. There are brighter prospects for phosphate rock, bauxite and copper. The Government will spend \$24m this year on basic mining in development and arrest the decline of a sector whose contribution to the gross domestic product fell to 1 per cent at the beginning of the 1970s.

Now Colombia is poised for its great leap forward into coal power. Carbolcol, the parastatal coal company, and Intercol, an Exxon subsidiary, are jointly developing the north block of the huge El Cerrajón coal deposit in the Guajira Department, which contains an estimated 3,000 million tonnes of low sulphur, low ash, and steam coal, generating 14,000 British thermal units. The project will consist of two open cast sites, to be excavated down to 200 metres, at an estimated cost of \$3,000m. Production will be on a tremendous scale, reaching 15 million tonnes a year in its first phase and possibly 25 million tonnes by 1990.

The north block project will be self-contained, with a \$405m railway, stretching 50 km from the mine to the port of Bahia Portete on the Caribbean coast, where a \$410m port improvement programme is under way. A highway along the same route will be ready later this year.

The Carbolcol-Exxon project at El Cerrajón caused a furious debate throughout Colombia, first because the foreign firm had 50 per cent of the nation's biggest coal mine and second because most of the coal would be exported. Colombia lost its self-sufficiency in oil in 1975.

"Don't export our coal reserves as you did the oil", the critics told the Government. However, there were assurances that the first two million tonnes or so of production would feed power generation plants at Cartagena, Barranquilla and a new plant planned for El Cerrajón itself. The debate then died down.

Meanwhile, at Montelíbano in the Department of Córdoba, the Cerro Matoso production complex plans to extract ferronickel by 1982, reaching a production of 22,585 tons by 1984.

The Cerro Matoso nickel mine is a joint venture in which Billiton Overseas, a British wholly-owned subsidiary of Shell Petroleum, has 35 per cent, the Hanna Mining Company of Detroit 20 per cent, and the Colombian Government holds the remainder of the stock. Billiton Metals and Ores International, a Dutch company within the Royal Dutch/Shell group, has agreed to purchase production up to 22,500 tonnes a year.

Mr Malcolm King, the company's vice-president, put the capital cost of exploration at \$394m. Shell itself, which seconded Mr King to the project, committed \$200m. Further financing came from the World Bank, the United States Export-Import Bank and a private syndicate headed by the Chase Manhattan Bank, he said. Sales income will touch \$180m a year.

Uranium development in Colombia is controlled by a state agency, Coluranio. Involved in uranium exploration programmes by association contracts with Coluranio are Enusa of Spain, Mines of France and the Atomic Power Reactor and Nuclear Fuels Development Corporation of Japan. Exploration has shown the strong possibility of usable uranium in several places in Santander, Cundinamarca and Meta. Colombia is split by three great mountain ranges and there is uranium all over those mountains, the Swiss expert said. The Government has not yet defined the commercially exploitable deposits.



Among the projects being pushed by the Parastatal mining agency, Ecominas, are the mining of phosphoric rock deposits of about 19 million tonnes in Boyacá and nine million tonnes in Santander, north of Santandec. Gold mines are scattered all over the country, but the largest production comes from the department of Antioquia, which accounted for about 214,000 oz of the nation's total output of 246,445 oz in 1979. In Caldas, there are possible reserves of

three million tonnes and preparations are under way to start mining. The area produces about 6,000 oz a year. Silver output is a by-product of gold mining and is running at about 75,000 oz annually. All gold and silver bullion is purchased by the Colombian National Bank, by law.

There are long term prospects in copper at Pantanos-Pedagrito in the department of Antioquia, Mocoa in Putumayo and Alisales in the same location.

About 375 million tonnes of bauxite have been found in and around the Cauca Valley, but preliminary exploratory work still continues. The country's first asbestos mine went into production in 1980 in Antioquia, with a capacity of 20,000 tonnes a year.

Colombia is short of iron ore reserves, has only one productive iron ore mine and an associated small integrated steel works at Pas del Rio in Boyacá. The plant produces 300,000 tonnes a year of iron and steel. Smaller operations in Bogotá, Medellín and Cali make steel from scrap, using electric arc furnaces.

Colombian emeralds come mainly from the Muzo mines in Boyacá, but the Coscuez Mines near by are catching up as an important emerald mining centre. Production figures for 1979 are reported to be 394,800 carats. The United States purchased \$10.51m-worth of the output and Japan acquired emeralds worth \$28.39m.

Alan Robinson

"Guajeros" at Muzo wait hoping to find emeralds which have escaped the company employees.



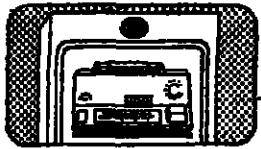
MINISTERIO DE COMUNICACIONES DE COLOMBIA



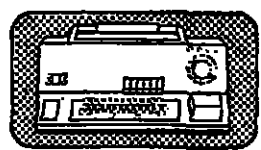
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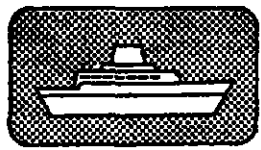
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Energy

Oil firms are drilling holes all over the countryside

Colombia ceased to be self-sufficient in petroleum in 1975 and having fallen from that state of economic grace is now striving to regain it. Foreign oil companies believe that the prospects are good, so good that they are drilling holes all over the countryside.

But if the prospects for more petroleum are promising, those based on the nation's hydroelectric, coal and natural gas potential are even more so. "Colombia could be in for an energy boom", according to Mr John Collins, Chairman and Managing Director of Shell Colombia.

Dr Luis Enrique Giraldo Neira, Vice-Minister of Mines and Energy, gave some figures: crude oil production is 122,947 barrels a day, leaving a daily deficit of 50,000 barrels. "We will make up that deficit by 1985", he said. Imports of crude oil are equivalent to 19 per cent of consumption, while Colombia must also import 35 per cent of the petrol it uses. Proved reserves of crude amount to 680 million barrels, but only 25 per cent of the country's 716,000 sq km of sedimentary basins have been explored, "and superficially at that".

Installed capacity for electricity generation has been growing at 9 per cent a year for the past 10 years. Dr Giraldo said. Installed capacity in per capita terms was 162MW last year, 72 per cent in hydroelectric plants and 28 per cent in oil or coal-fired power stations. The potential hydroelectric capacity of the country is 93,000 MW, "which would meet our demand until the start of the next century".

Colombia's vast coal seams—80 per cent of estimated reserves—are in the huge El Cerrajón zone in the north of the country. They are expected to displace natural gas in coastal areas. Even with low-level technology, coal mining has been grow-

ing at the rate of 5.1 per cent a year since 1970, to total output of 4,900,000 tonnes in 1979. Coal will feed three of the nation's main power stations, with about two million tonnes earmarked for that purpose from El Cerrajón.

Natural gas is abundant, with known reserves of 4,716 million cu ft. Surprisingly, wood accounts for about 30 per cent of the primary energy consumption, with nearly 12 million cu metres used in 1975, mainly for cooking in rural areas and on the fringe of the bigger cities.

In spite of the relative abundance of energy resources, a severe shortage of official funds has prevented their satisfactory development. Petroleum is still the most used resource, although oil reserves are comparatively low, while the immense hydroelectric resources contribute less than any of the other energy sources in Colombia.

So far the best answer to the financing problem has been the participation contracts between the parastatal oil agency Ecopetrol and a score of multinational oil companies. The multinationals put up the risk capital, come in and drill, and Ecopetrol only puts up its share of the investment when oil or gas is struck. "The Government is very dynamic in this respect", Mr Ray O'Mara of Anson Drilling said. The association contracts with foreigners have been very successful and there are many applicants. Twenty or 30 firms are waiting in line and every week another company is talking to the Government. In these circumstances, the problem is now a shortage of rigs.

Dr Giraldo also emphasises the convenience of the contracts to both sides. "Colombia's association contracts have been held up by the United Nations as an example for other developing nations", he said.

The enthusiasm of the foreign oil firms is justified, according to Señor Miguel Urrutia, the former mines and energy minister. "In

1976 the oil companies started to return to Colombia. There have been small finds, but no really significant new fields in the past two years. However, the signs are very promising", he said.

Shell is one of the companies that sold out its oil interests, divesting itself of petrol stations, which it sold to Mobil in 1969 and passing over its wells to Ecopetrol. In 1974, Mr John Collins of Shell says that the firm has no plans to re-enter the petroleum sector, but is interested in coal, nickel and chemicals. "The chances of finding more crude oil are beginning to look good", he said. "The coal reserves and the possibilities for hydroelectric expansion, plus a mining industry that will be very useful in the future, make Colombia attractive to business."

Señor Javier Fernández, the Vice-Minister of Finance, is sure that Colombia will become self-sufficient for petroleum in the near future. "Information is that we are well on the way", he said. According to Mr Ray O'Mara, oil is occurring at greater depths than is usual in petroleum exploration.

"In Arauca they drilled down nearly 23,000ft, in some places they have gone down about 25,000ft", he said. "Crude is rare at that depth."

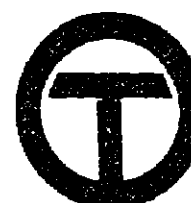
Recent oil and gas strikes have been made at several places close to the Venezuelan border, mostly of heavy oil. "Colombia has no refinery capable of upgrading it at the moment", Mr O'Mara said. One such strike was at Campo Puerto in Boyacá department and "that could turn into a big one", he said. He added: "Geologically speaking, much of Colombia is an unknown quantity."

Meanwhile, the Government is pursuing studies into the possibilities of solar energy, wind power, biogas and alcohol as a substitute for petrol. Bilateral cooperation pacts in these areas have been signed with West Germany, East Germany, Switzerland, Italy and other nations.

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Robin Greer describes the population centres and discusses historical

United Kingdom links with the country

Conquistadores' missionary forts are now modern cities

Like islands set in a sea of unspoilt countryside, the cities of Colombia combine variety with antiquity. Most were founded by the Spanish conquistadores almost as missionary forts to control and civilize the surrounding areas. These places, with their dominant cathedrals, which survive in most Colombian cities, maintain a strong link with the colonial past.

Deep in the interior, on a high Andean plateau, at an altitude of 8,660ft, sits the capital, Bogotá. Founded in 1537 by Gonzalo Jiménez de Quesada during his search for El Dorado, the town was originally called Santa Fe de Bogotá. Just outside Bogotá is the lake of Guatavita, which is still reputed to be rich with golden offerings.

Tucked under the mountains, Bogotá stretches north and south from its old colonial centre. Though now surrounded by skyscrapers, La Candelaria, with its steep, quaint streets bordered by appealing two-story whitewashed houses, is being painstakingly restored and maintained.

The south of Bogotá belongs mainly to the poorer people and has its shanty towns housing the destitute, whereas the north is the enclave of the middle classes and the rich. It is in the north of Bogotá that you see the evidence of Colombia's steady development. Hand-some new houses with well-tended gardens line wide streets, along which are driven the very latest in cars.

The shops stock almost everything that the well-travelled Colombians could desire, and fine restaurants and pleasing night clubs abound.

Tradition hangs heavily in Bogotá as elsewhere in Colombia. Although many may have fallen on hard times, families that carry old noble names are respected and emulated. The true Bogotá carries himself like an old-fashioned English gentleman and has surprisingly similar traditions. Courtesy, ritual and hospitality are as important as maintaining appearances. A tradition of literature, especially poetry, is combined with a Spanish

considered the purest and clearest in Latin America.

Bogotá, and Colombia in general, has had a great deal of adverse publicity about theft and violence. The violence is usually confined to domestic squabbles amongst the groups of emerald merchants or drug dealers. Unless a foreigner is foolish enough to meddle, there is little reason to see more than newspaper reports of these incidents.

In Bogotá's downtown area, where most hotels and the impressive Gold Museum are located, there is always a risk of theft. This can usually be avoided by not wearing jewelry, watches or cameras. A visitor would also be wise never to do business on the street; the more tempting the offer the greater the chance of trickery. It is the Colombians themselves who suffer most at the hands of the lightfingered. Thefts of cars and car-parts make vehicle ownership a constant worry.

Bogotá and its surroundings are green with frequent rain. There are many over-

cast days and a mean temperature of 65°F, not unlike an English early summer. In Colombia, the climate and temperature depend entirely on altitude, the proximity to the equator evening-out most seasonal differences.

An almost ideal climate is enjoyed by Colombia's second city, Medellín, set in another—slightly lower—valley. Medellín enjoys a perpetual spring and prides itself on the variety and abundance of orchids it produces. The people of Medellín and its surrounding department, Antioquia, are known as the most industrious in all Colombia. They have made their city the centre for textiles and many other industries, and have taken their enterprise throughout the country. Wherever there is business, the Antioqueño, with his amusingly burled accent, may be found at all levels. Medellín is also famed for its love of the tango.

Further to the south, the yet warmer climate of Cali echoes to the rhythms of the salsa. Cali, an important

agricultural and trading centre, has its colonial past but the city is mainly much more modern. The annual feria or carnival, which draws visitors from many parts, typifies a fun-loving, relaxed attitude to life, though balanced by a reasonable degree of hard work. Cali also has some of the handsomest women in Colombia.

Not far from Cali, up in the mountains, close to the border with Ecuador, is Popayán. This, perhaps the most historic city of Colombia, was the first capital of the Spanish province of Nueva Granada. Though today it is a somewhat sleepy backwater, rich with beautiful old colonial houses and monasteries, it is from Popayán that most of the presidential and traditional families of Colombia hail.

At the very southern extreme, below the equator, lies Leticia. An Amazon river port, with a few small naval vessels, it is a curious frontier town perched on the borders of both Peru and Brazil, and is used by many as a staging point on their way down the Amazon or when making short jungle tours.

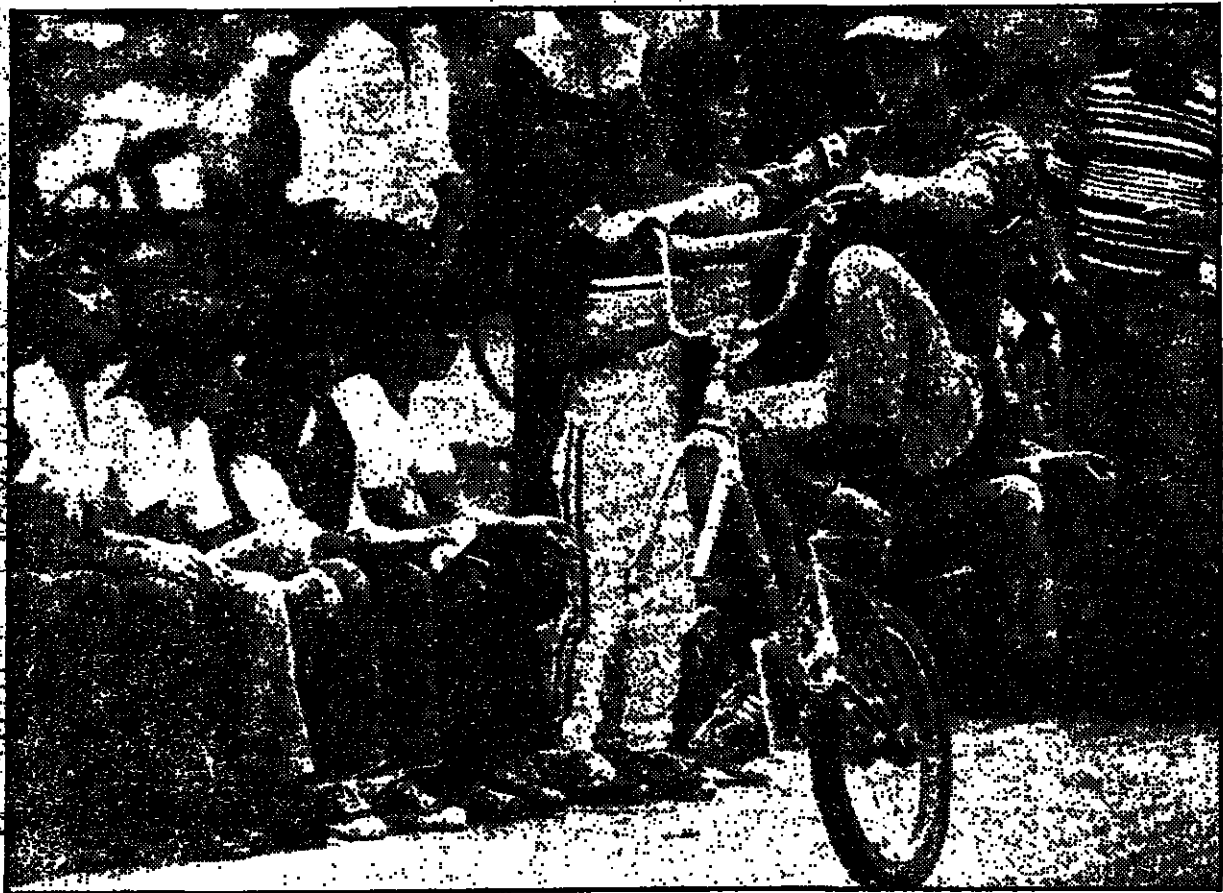
Over 1,100 miles away on the northern Caribbean coast is Cartagena. Comparisons are sometimes made with Bahia in Brazil, usually in favour of Cartagena. Dominated by the San Felipe castle, built to the classical designs of Vauban, the old city is still surrounded by thick walls. The three-story houses with wooden balconies and lush interior patios provide a cool haven against the hot, heavy humidity.

The streets and markets teem with colourful life and are a joy to walk through. Many of the elegant houses are being lovingly restored and some are now restaurants of a very high standard. Most of the hotels are on the adjoining peninsula of Bocagrande and are generally very modern and good, although, perhaps, the most appealing is the Hotel Caribe. Its old-fashioned charms outweigh any drawbacks.

Farther along the coast is the largest of the coastal cities, Barranquilla. Set close to the mouth of the River Magdalena, once the country's main thoroughfare, Barranquilla is an important centre of industrial and commercial life. However, it is not an especially attractive city for the visitor.

More pleasing is the other main city of the coast, Santa Marta. Blessed with a dry desert-like climate, Santa Marta, which was founded in 1525, is one of the most popular resorts of Colombia. Besides its own golden sands, Santa Marta offers neighbouring attractions such as the unspoilt fishing village of Taganga and the Tayrona National Park, with its varied beaches, dense rich vegetation and exotic birds and butterflies.

The rugged terrain of Colombia forced the people into the air and Colombia had the first civil airline of Latin America in 1919. Even today air travel is relatively inexpensive and efficient. Hotels are generally good and fairly priced, with the food of fine quality and, not being highly spiced, most acceptable to the English palate.



The people of Medellín are the country's most industrious, but these youngsters in the city know how to enjoy their leisure.

They dreaded Drake's drum but liked the British

Tales of Sir Francis Drake, the buccaneers and their exploits on the Spanish Main still stir the hearts of every romantic Englishman, calling up a golden era of valour and glory. But the actual location of the Spanish Main is generally less well known.

The area which was called the Spanish Main is the northern Caribbean coast of South America, stretching from Portobelo and Nombre de Dios in the west to Trinidad in the east. Today, Portobelo is in Panama, and the rest of the coast is shared by Venezuela and Colombia. The Colombian coastal towns of Cartagena, Santa Marta and Rio de la Hacha loom large in the annals.

The great wealth that Spain was extracting from its American colonies and shipping through the Caribbean ports irresistibly drew the English sailors. The Spanish were unwilling to share their treasure. So a pattern was set of the Spanish refusing to trade, followed by the English attacking and taking the towns.

Sir John Hawkins and his sometime lieutenant, Sir

Francis Drake, took Rio de la Hacha and Santa Marta many times, Cartagena usually being a harder nut. Santa Marta proved so easy that Drake had to put on a show of capturing the town just to save the governor's face. After the taking of these towns there were often fine banquets as the Spanish colonists and the English sailors entertained each other.

Attacks on the Colombian mainland continued into the eighteenth century. The key to the control of Caribbean trade was perceived as Cartagena, but it proved difficult to take.

In 1739, Sir Edward Vernon had successfully captured Portobelo; so, in 1741, he proceeded to attack Cartagena with 190 ships and 27,000 men. But the town remained impregnable, and Vernon decided to lay siege. The strong defences, internal dissensions in the attacking forces, and, most importantly, their devastation by yellow fever, led to failure. Serving as a surgeon's mate, Tobias Smollett recounts the experiences of the soldiers in his novel *Roderick Random*.

After many months the heavily depleted forces abandoned the siege and withdrew. Cartagena counted this as a great victory, and for its triumph was awarded the still-used name of the Heroic City.

The contact with Britain that is best remembered in Colombia occurred during Simón Bolívar's Wars of Independence, at the beginning of the nineteenth century. The Napoleonic wars had loosened Spain's control of its colonies, and poverty and bad government had left the people resentful. Bolívar and his associates resolved to take advantage of this situation.

However, when Spain sent 10,000 troops to reassert its weakened authority, Bolívar appealed to his London agent, Luis Méndez, to raise a force of volunteers. To recently discharged servicemen and to the British merchants it was a fine opportunity. In a three-year period from 1817, some 5,000 English and Irish volunteers left for South America. Shipwreck, disease and desertion took a heavy toll, and a much smaller number actually arrived.

After initial but temporary successes along the coast, Bolívar became convinced that the key was the capture of Bogotá. So, in 1818, he marched from Venezuela through the jungle and plains up into the high snow-covered plateau to attack Bogotá. His troops were mainly untrained irregulars, but the leaven were his British volunteers.

The Dragoons of the Guard of Bolívar were commanded by Colonel Rooke, and two rifle regiments were led by the British officers, Colonel Arthur Sandes and Major J. Macintosh. Most famous of all was the small all-British unit of 16 officers and 130 other ranks, known as the British Legion. At the decisive battle of Boyacá, it was a British bayonet charge that broke the defending forces and gave Bolívar his prize, Bogotá. The volunteers went on to help Bolívar to complete his campaigns.

The British assistance was not forgotten after independence, and for a while the new Republic of Gran Colombia accorded special

privileges to the British, by way of thanks.

The prospect of this vast new country with huge possibilities excited many people. Jeremy Bentham, in particular, was so enthused by Gran Colombia that he advocated a strengthening of the links with Britain with mass emigration. Even today, some Colombians regret that this immigration did not occur, and that Britain had little direct influence on the country. At least, they say, we would have had decent railways.

However, there is one part of Colombia that did have strong ties, the islands now called San Andrés and Providencia. These two Caribbean islands, located about 440 miles north of the mainland, were colonized by 90 Englishmen at the end of May, 1631. Old Providence was the fourth British colony in the Caribbean, before Jamaica.

The Providence Company was founded in London in 1630, and its directors were all prominent puritans, the treasurer being John Fynn. Their main aim was to establish a model puritan colony. However, the company was given the right not only to colonize but also to trade, and, if attacked, retaliate. Providence, a volcanic island, was chosen as the main base because its natural harbour made it more suitable for a colony than the coral island of San Andrés. The experiment soon proved an expensive failure.

The climate of the island, which was excellent for cultivation of tobacco and cotton as cash crops, was too enticing and languid for nurturing a puritan morality. The introduction of Negro slaves and many other petty squabbles soon rent the colony. The Spanish admiral Francisco Díaz de Pimentel landed with 2,000 men, the colony was crushed.

The directors of the company were losing interest. They had their eyes more firmly fixed on politics in England. When in May, 1641, the Spanish admiral Francisco Díaz de Pimentel landed with 2,000 men, the colony was crushed.

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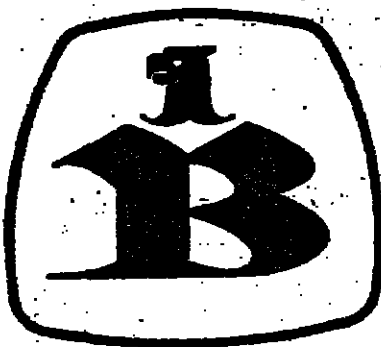
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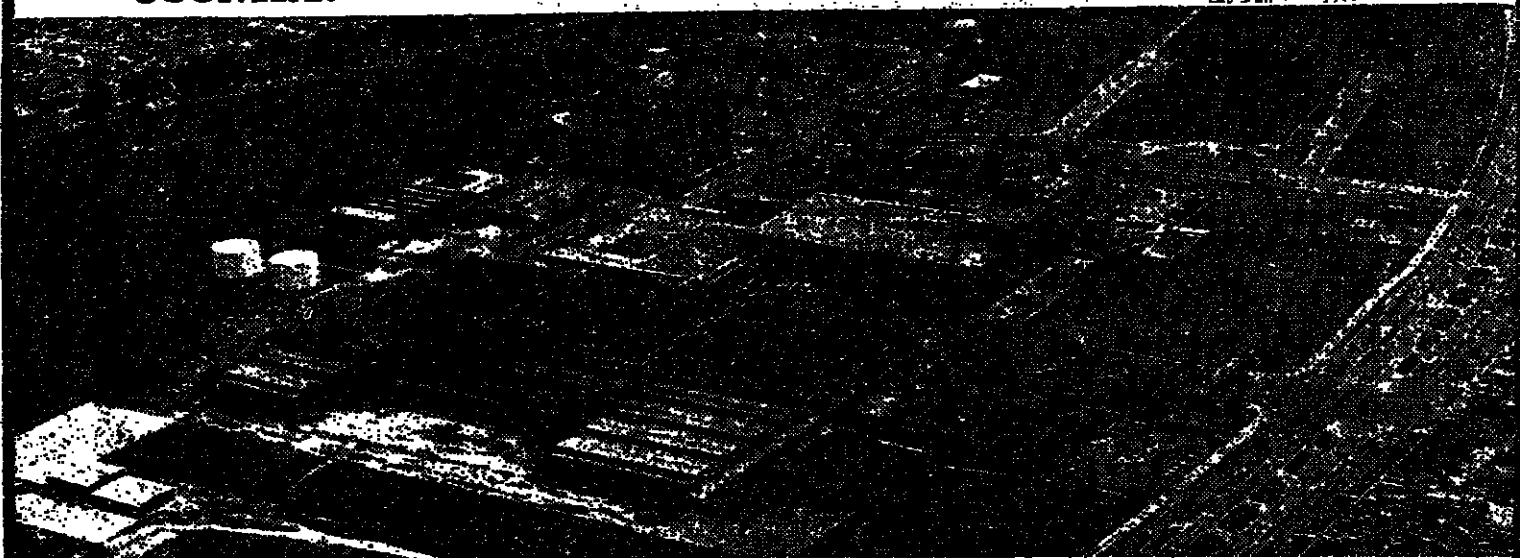
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BUSINESS NEWS

Stock markets

FT Index 497.8, down 4.2
DM2.1145, up 0.08

Sterling

\$2.2260, down 25 points
Index 99.3, up 0.1

Dollar

Index 99.9, up 0.3
DM2.1145, up 70 points

Gold

\$491.50, down \$8

Money

3 mth sterling 121-123
3 mth Euro \$ 161-167
6 mth Euro \$ 167-168

IN BRIEF

Conditions waived to free \$400m Chrysler aid

Chrysler may receive the \$400m in additional Federal aid guarantees it needs, even though the group has not complied with parts of its earlier financing agreements with Washington.

In its determination to present a Chrysler bankruptcy, the government has retroactively waived a dozen specific administrative and financial requirements of the company's rescue plan.

Meanwhile, Chrysler said it had cleared the final major hurdle in its effort to secure use of the added \$400m when the last of its 150 lenders agreed a revised debt agreement on Wednesday.

The \$400m offering of United States government-backed notes will carry a yield of more than 10 per cent.

few director for bank of England

Mr Anthony Leonis aged 44, an associate director of the bank of England in charge of overseas operations, has been appointed an executive director in place of Mr Christopher Dow who has reached retirement age.

Mr Dow, the Bank's top economic adviser, is to retain his present responsibilities within the Bank and becomes an adviser to the Governor. Lord Bess of Woldingham is stepping down as a non-executive director and his place on the board goes to Mr David Scholey, joint chairman of S. G. Warburg & Co.

activity withdrawn

The German Federal Bank is withdrawing its special Lombard lending facility for commercial banks, introduced on Wednesday at a 12 per cent interest rate.

Compeda deal

A computer-aided system for plant design management has been sold by Compeda, a subsidiary of the National Research Development Corporation, to ummus, the American engineering construction organization.

link extended

The trial marketing link between Prudential Assurance Company and the Leicester Building Society in the West Country is to be extended nationally.

Woolwich loans

The Woolwich Building Society is to make an additional 5m available for lending in northern Ireland and part of the money will provide special assistance for the purchase and improvement of "rural cottages".

400,000m oil

The value of North Sea oil discovered so far is £400,000m, Mr Hamish Gray, Minister of State at the Department of Energy, said in answer to a written parliamentary question.

German Ford

Ford-Werke AG said it would invest DM620m (about £120m) in the next two years on modernizing production at its Venlo, Belgium, plant.

PRICE CHANGES

Rises

Barnett H'shire	25p to 938p
Electrocomps	12p to 410p
Archetype	10p to 578p
Ressey	11p to 317p

Falls

Bracken Mines	13p to 173p
Electroline	25p to 325p
Stacey Gold	11p to 179p
Samuelson A	10p to 635p
Map Chem Ltd	26p to 268p

THE POUND

	Bank	Bank	Bank	Bank
	buys	sells	buys	sells
Australia \$	1.97	1.98	Norway Kr	12.50
Austria Sch	34.95	35.25	Portugal Esc	126.00
Belgium Fr	81.25	77.25	South Africa R	2.10
Canada \$	2.73	2.64	Spain Ptas	167.00
Denmark Kr	15.32	14.52	Sweden Kr	10.71
Finland Mk	9.59	8.90	Switzerland Fr	4.45
France Fr	11.36	10.86	USA \$	2.27
Germany DM	4.58	4.64	Yugoslavia Dnr	84.50
Greece Dr	116.00	110.00		
Hongkong \$	12.15	11.55		
Ireland P	1.21	1.25		
Italy Lit	2340.00	2250.00		
Japan Yen	468.00	462.00		
Netherlands Gld	5.38	5.12		

Government urged to adopt new strategy to effect recovery in real economy

By Melvyn Westlake

Any economic recovery in Britain is still two years away, according to new forecasts published today by the National Institute for Economic and Social Research. This is in flat contradiction to recent ministerial statements suggesting that an upturn in the economy is likely in the next few months.

Because of the prolonged recession and a continuing rise in unemployment, the Government's objectives for cutting both its spending and the growth in the money supply during the next couple of years are not now attainable, the National Institute says in its latest *Economic Review*. Instead, the Government is urged to adopt a "new economic strategy which concentrates upon recovery in the real economy".

The review contains an illustrative set of policy changes, including a cut in indirect taxes, a postponement of the tax relief changes on stocks, and a temporary lower exchange rate, which could reduce unemployment by 210,000 by the end of 1982.

The Institute estimates that such a package of stimulating measures would raise the public sector borrowing requirement by £3,000m in the next financial year and £2,000m in the one after, and increase the money supply 4 per cent by end-1982.

The Institute does not believe, however, that such a package of policy changes would be inflationary. The reduction in indirect taxes would offset the upward influence on prices of the fall in the exchange rate.

Moreover, although lower employment would mean that the downward pressure exerted on wage claims would be weaker, higher real incomes would act as a moderating influence.

The Institute says, its forecasts do not suggest the British economy is yet near the point where the recession will "bottom out" and give rise to the spontaneous recovery that is sufficiently strong to reverse the present paths of output and unemployment.

While the gross domestic product will stop falling, it is not expected to rise. Unemployment will therefore go on rising over the next two years, towards the three million mark. On present policies, the Institute's economists cannot foresee any spontaneous recovery coming from either private investment, stockholding, the trade balance, or personal consumption.

The Review is not even particularly optimistic about the outlook for inflation, which is expected to come down into single figures this year and then level out not far below 10 per cent.

The National Institute is generally Keynesian in its economic analysis and employs a forecasting model of the economy which has many characteristics common to that used by the Treasury.

It frankly describes Britain's short and medium-term growth prospects as bleak, forecasting a further fall of 1.3 per cent in the real gross domestic product during 1981. This will follow a drop of 2.7 per cent last year.

In 1982 the real GDP is predicted to rise by a mere 0.2 per cent. However, the personal disposable income shows a small rise both this year and next, because earnings for those people in work rise slightly faster than prices.

The public sector borrowing requirement (PSBR) in the present financial year is predicted to reach £14,000m. This compares with an initial forecast by the Government in the last Budget of £8,500m and a revised figure of £11,500m only last November.

In the coming financial year the PSBR is predicted to remain high, at some £12,000m. It will be £11,000m the year after that, according to their calculations. In its medium-term financial strategy, published last March, the Government aimed to reduce public borrowing to about 34 per cent of the nation's gross domestic product in the financial year 1980-81, and then cut it further to 3 per cent and 21 per cent in the following two financial years.

But according to the National Institute's calculations, public sector borrowing in 1980-81 will reach 6 per cent of the gross domestic product (higher than it was in 1978-79). In the following years, the percentages will be 44 and 4.

The Government is expected to have a similar difficulty holding to its money supply targets.

The pound's effective exchange rate against a basket of currencies is forecast to rise steadily, to stand 14.7 per cent higher in the last quarter of 1982 than it did two years earlier. The surplus on the current account of the balance of payments is predicted to more than double this year, exceeding £5,000m, but dropping back to £3,200m in 1982.

SUMMARY OF THE NATIONAL INSTITUTE'S FORECAST

	Real GDP (per cent change, year/year, 1975 prices)	Real personal disposable income (per cent change, year/year)	Unemployment (million)	Money supply (per cent change in sterling, 1975 prices)	Consumer prices (per cent change, fourth quarter on fourth quarter)	Current account balance (£ billion)	Public sector borrowing requirement (£ billion)
1979	2.1	5.7	1.23	11.5	15.8	-1.7	9.9
1980	-2.7	2.7	2.02	18.0	12.9	2.3	14.0
1981	-1.3	1.0	2.87	10.0	9.5	5.1	12.0
1982	0.2	0.7	2.99	10.0	8.2	3.2	11.7

* Great Britain wholly unemployed, excluding school-leavers.

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More jobs at ICI likely to go

Continued from page 1

The worst trading areas for ICI last year were the United Kingdom and Europe. Canada, the Far East, and South Africa held up well. Losses were concentrated in four areas. Business fibres lost £85m; organics £25m; petrochemicals lost £44m; plastics lost £35m.

ICI has spent the year fighting hard to maintain its market share but at the expense of margins, and by the end of 1980 was selling many of its products at a loss. "ICI has been hit hard by the recession and announced losses of more than £30m on Wednesday. Group sales increased by 6 per cent to £5,715m last year of which £1,173m was exported. The chairman blamed the company's poor performance on the deep recession throughout the world, the sharp rise in costs, particularly oil which had added £100m to the group's raw materials bill, and the strength of sterling. He also accused the Government of allowing a "two-tier" inflation rate development, with prices increasing in the public sector far higher than the private.

Some European chemical companies have claimed to be seeing an improvement in demand but ICI, partly because of the adverse currency position, has had difficulty in making price rises stick so far this year. But it was clear yesterday that Sir Maurice had

a message for the Government when he said that "it was the combination of the strength of sterling and the relatively high rates of inflation that were the problem".

Investment plans had been cut sharply, and there would be a further "substantial reduction" this year. Authorized capital spending in 1980 was £324m, against more than £550m in 1979.

Actual spending on new plant and equipment in 1980 was £24m, down from £24m only £36m down on the previous year. The effect of the reductions in authorizations, begun in 1979, would not be reflected in actual spending until next year.

Confederation of British Industry said last night it hoped that the results would help to persuade the Government to lift in the Budget some of the cost burden borne by industry.

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£2,700m cash rescue plan for Italian steel industry

By John Earle

Rome, Feb 26

The Italian Government has drafted a bill to rescue the steel industry by the injection of 6,068,000 lire (nearly £2,700m), mostly into Finisider, the public sector group.

Signor Gianni de Michelis, minister for state-owned industry told a meeting of public sector managers and trade union leaders that the government had also instructed the board of IRI, Finisider's parent, to mobilize a further £1,480,000m already allocated on paper under the law on the rationalization of industry.

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Workers in Finisider plants have been on strike because the group said that it could not afford to pay more than 70 per cent of its costs this month.

The rescue plan which has yet to be submitted to Parliament, consists of a capital grant by Finisider over three years of £568,000m lire; bond issues by IRI, guaranteed by the state and with a treasury contribution towards interest payments, amounting to 2,500,000m lire, in favour of Finisider; and bond issues by Istituto Mobiliare Italiano, with a government contribution towards interest, in favour of private companies and probably amounting to 1,000,000m lire.

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Mr Oppenheimer switches stakes

The Anglo American and De Beers group controlled by Mr Harry Oppenheimer, is transferring its 28.8 per cent stake in Consolidated Gold Fields to a Bermuda company, Minerals and Resources Corporation.

It is also injecting into Minorco its 35.8 per cent stake. Charter, a mining and finance house. Minorco's assets will be increased by acquiring the 50 per cent of the equity in and the promissory notes of Anglo American Corporation of Canada, giving an indirect 44.8 per cent stake in Hudson Bay Mining and Smelting, another Canadian company.

Minorco also reported earnings before taxes for the half year to the end of December of \$16.7m, compared with \$10.2m. Shareholders will receive an interim dividend of 6 cents, and a possible final of 16 cents. Dividends for the year

to the end of June 1982 should be "at least" 30 cents.

These transactions will be financed by issuing Minorco shares. The assets are valued at about \$807m, and Minorco will issue another 59.3 million shares representing a capital increase of \$54.4m.

As a result, Anglo American's stake in Minorco will rise from 32 per cent to 42 per cent, and Charter's stake will rise to 23 per cent instead of 16 per cent. Charter's stake in Minorco will fall, however, to 10 per cent from 14.7 per cent.

Mr Harry Oppenheimer, chairman of Anglo, De Beers and Minorco, said yesterday that an enlarged Minorco would allow the Anglo group to expand, particularly into North America.

He said: "We want Minorco to be big and powerful enough to, as far as possible, finance itself so that it is not a question when you want to do international business of always having to export money from South Africa."

After the restructuring Minorco's assets should be about \$2,000m against \$650m at the end of last year. Earnings per share could rise from 27 cents a share last year to 45 cents a share in the current year, if the rearrangement goes through.

A crucial aspect of the operation, Mr Oppenheimer said, is that Minorco will escape from holding about 75 per cent of its assets in one company, Engelhard Minerals, an American mining and precious metal refining concern.

Net asset value per share is forecast to grow by 83 cents to \$12.05, and debt will be reduced as a proportion of shareholders' funds.

Stockbroking firms locked in talks

By Catherine Gunn

Partners of two well-known stockbroking firms Quilter-Hilton Goodison and Hedderwick Stirling Grahame were locked in lengthy talks widely thought to be merger discussions, at Quilter's Gresham Street offices last night.

The talks follow difficulties in Hedderwick's gilt-edged business which has been involved in two Stock Exchange inquiries in as many years. Quilter-Hilton Goodison's senior partner is Mr Nicholas Goodison, chairman of the Stock Exchange. Mr Wallis Hunt became senior partner of Hedderwick last year when Mr Ralph Hedderwick retired.

Talks between the two firms had been categorically denied the previous day by both Mr Hunt and Mr Richard Blandland, managing partner of Quilter.

Yesterday's meeting started at 5pm and was still underway two hours later, after a day of rumours ranging from a merger of the two firms to Hedderwick's possible withdrawal from stockbroking.

Quilter has been known to be seeking a marriage partner for some time, while Hedderwick was widely rumoured to be in difficulties ever since problems arose over its gilt-edged department two years ago.

A year-long Stock Exchange inquiry by a committee which reported in February 1980 led to the temporary suspension from exchange membership of three of Hedderwick's partners, the censuring of then managing director Mr Colin Franklin, and the expulsion from Stock Exchange membership of the former head of the firm's gilt department, Mr Terence Webster.

Mr Webster, who had resigned in 1979, was said to have acted to benefit certain discretionary accounts without defending the best interests of all clients. The Stock Exchange had been investigating the City of London Fraud Squad. Mr Franklin retired last year.

The three suspended partners resigned immediately from the firm, which began to try to rebuild its gilt department. But only four months later it was caused further embarrassment when, in June last year, suggestions that Hedderwick might have lent gilt-edged stock to jobber Wedd & Owen, which ceased trading that month, led to the start of another Stock Exchange inquiry. Just then Mr Wallis Hunt stepped into the retiring senior partner's shoes.

Mr Nicholas Goodison.

Mr John Biffen, Secretary of State for Trade, is expected to announce today whether Lomrho's £158m takeover bid for the House of Fraser will be referred to the Monopolies and Mergers Commission for investigation.

Recommendations from the Office of Fair Trading went to the Trade Department yesterday afternoon following a Mergers Panel meeting on Wednesday which considered submissions from both companies and the views of four government departments.

The urgency for a decision stems from the fact that next Wednesday Lomrho's shareholders meet to approve the company's 150p a share offer for Britain's largest stores group.

The meeting in London at 10 am is to consider only one resolution, after which Lomrho, which already owns 29.99 per cent of Fraser, could walk into the Stock Market and buy the 30 million shares needed to gain control.

Meanwhile, Fraser directors fighting the bid, disclosed

yesterday that the group made at least £34m pretax profits last year. It hopes to hoist the total dividend 10 per cent and now has assets worth 302p a share.

The figures come from its formal defence document which details the reasons for the rejection of Lomrho's offer as "totally unacceptable" and says that shareholders should hold on to their "supervalue shares" and "supervalue assets."

Professor Roland Smith, Fraser's part-time chairman—who moved up from deputy chairman a month ago—fought the board voted out Sir Hugh Fraser—said: "This company is a massive and marvellous giant which is beginning to awake. For anyone wishing to sell their shares in these conditions—well then money must be going out of fashion."

Mr Paul Spicer, a Lomrho director, said: "If the shares and assets are so super value, why does not Warburg's (Fraser's merchant bank advisers) make us a super offer for our shares?"

Professor Smith said that Fraser's profit figures come

Minister's ruling today on Lomrho bid for House of Fraser

By Philip Robinson

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Mr Paul Spicer, a Lomrho director, said: "If the shares and assets are so super value, why does not Warburg's (Fraser's merchant bank advisers) make us a super offer for our shares?"

Professor Smith said that Fraser's profit figures come

from trading boosted by a "very good January" and do not include any exceptional items or financial engineering of any kind. Profits mean the Group made £33m in the six months to the end of January, 12 per cent more than the previous second half and against £35.5m for 1979.

The dividend, likely to be lifted to a gross 9.42p, is expected to be covered on an inflation adjusted Current Cost Accounting basis.

Both sides are claiming substantial institutional support. Professor Smith says there is evidence that the big institutions, which hold around 35 per cent of the total equity, fully support the defence document and will remain with the company. Mr Spicer said: "If I had to put a figure on our known support, I would say we had 40 per cent."

Fraser's long-awaited revaluation of its property by Cowi Riblat yields a total of £30.9m, a surplus of £185m over book value. For the first time Warburg's is separated out and on an existing use basis is worth £55m.

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German Finance Ministry underlined that this was not a firm proposal from Herr Manthofer but was the earliest possible date for the German government to commit financial aid to Turkey this year.

Mr Turgut Ozal, deputy prime minister of Turkey, said after talks with Herr Hans Matthofer, Finance Minister of West Germany yesterday, that Washington would put \$395 to \$400m towards the \$1,200m package Turkey was seeking from the Organisation for Economic Co-operation and Development (OECD).

The sources said there was no question of West Germany, which has balance of payments and budgetary problems, matching the heightened American contribution.

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Bonn unable to match US aid for Turkey

By Peter Hill

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Iraq oil flow to Syria restarts

Iraq has resumed pumping crude oil at the rate of 50,000 barrels a day through the trans-Mediterranean pipeline to Syria. Oil flow to the Syrian terminal at Banias has been interrupted twice since the Iran-Iraq war broke out on September 22.

The crude is not expected to reach Banias and the northern Lebanese port of Tripoli until Saturday. Iraq and Syria agreed to a short experimental period during which only 30,000 barrels of crude a day will be pumped.

Iraqi terminals at the northern flank of the Gulf have been bombed by Iranian aircraft and gunboats for the past five months.

Syria has earned \$25m (£11m) a year in transit fees for Iraqi crude passing through. —AP-Dow Jones.

French unemployment
The French National Statistics Institute forecasts a sharp acceleration in unemployment during the first half of this year despite the Government's youth employment scheme, falling output and persistent inflation.

French deficit
France's current account deficit for 1980 is now estimated at 31,100m francs (about £2,827m) compared with a surplus of 4,913m in 1979 and a surplus exceeding 15,000m in 1978.

Mexican investment
Mexico plans to invest about \$3,400m (£1,540m) in its basic petrochemicals industry over the next five years. The investment will provide for the construction of nearly 50 processing plants.

Rupee revalued
The Reserve Bank of India said it had revalued the rupee against the pound by 0.54 per cent to a new middle rate of 18.45 from 18.55. The new buying and selling rates are £5.4348 and £5.4054 per 100 rupees.

French GDP
France's gross domestic product declined a provisional real 0.2 per cent in the fourth quarter of 1980 after a 0.3 per cent third quarter gain and a 0.5 per cent rise in fourth quarter 1979, the National Statistics Institute said.

Italy Eurocredit
Italy's Societa Italiana per l'Esercizio telefonico has signed a 10-year \$100m (£40.7m) Eurocredit, increased from the original \$75m. The credit carries a 4 1/2 per cent grace period.

Oil search
Major oil discoveries off the coast of China are likely by late 1982 or early 1983, Conoco executives believe. Negotiations on concessions are expected to begin later this year, with exploration to start in early 1982.

Minicars move
Osaka Meter Company, the Japanese taxi and parking meter maker, said it plans from next April to produce Italian-designed minicars with engines and parts supplied from Italy.

Oil products prices
Consumer prices for oil products sold inside the European Economic Community dropped sharply in mid-February to 94 per cent on February 16 from 102 per cent the previous week.

More US cars
Car production in the United States this week will be about 132,947 cars, a 1.5 per cent fall from last week's 131,003 but 12.2 per cent down on the same week last year.

Oil talks fail
Japan and China have failed to reach an agreement on the price of China's crude oil for this year, Japanese industry sources said.

Worries on foreign holiday travel as recession bites into spending

Tour operators expect tighter year

British travel operators will be unable to maintain the spectacular growth rate of last year during 1981 and profit margins are likely to fall due to more competitive pricing, according to a new report on the sector published yesterday.

The latest Jordan financial survey on United Kingdom travel agents and tour operators says that the main question troubling the industry is whether the current strong demand for foreign holidays will continue as the recession bites into consumer spending.

Mr Robert Tiltcher, the Grieverson Grant stockbroker, says in the introduction to the survey that most tour operators' profits have been extremely healthy during the 1980 financial year.

Though the growth rate is not likely to continue, rewards should remain strong, and the flexibility now apparent in all of the operators should mean that 1981 will be another successful year.

The report singles out Thomas Cook as the most profitable operator, with a ratio

of pre-tax profits to sales of 19.61 per cent. Using the formula of pre-interest profits to tangible capital employed, the small Yugoslav company led the field, with Thomson Travel and Britannia Airways, the linked market leaders, coming seventh and fifteenth respectively.

Mr Tiltcher is particularly critical of the performance of British Airways in the charter market which he says, has led tour operators such as Horizon and Intasun to increase their own charter aircraft fleets.

The state airline presented a "dismal and depressing scenario", Mr Tiltcher said. Excess capacity and overmanning were characteristic of its problems, and future investment in new aircraft had been cancelled or delayed. BA's projections for growth, which envisaged an increase in passengers from 17 million in 1980 to about 30 million in 1986, now appeared to be rather optimistic.

Trading margins were likely to be under severe pressure during next year and it

would appear highly likely that a reappraisal of the loan limit which was last month raised by £85m.

The report says that Laker can be expected to play a major part in the rapidly-expanding travel industry in the 1980s, but the group's package tour operations face a problem of potential excess capacity.

Laker's acquisition of the new A300 Airbus will increase the carrier's capacity by some 50 per cent over that of 1980, and by 100 per cent next year, considerably more than any expected rate of increase in the holiday market.

The report comments: "The budgeted programme of expansion for Laker is very ambitious and will need a particularly aggressive marketing strategy for it to succeed."

British travel agents & tour operators, Jordan Surveys, £85.

David Hewson

Japanese choose assisted area in Wales for battery factory

By Edward Townsend and Peter Hazelhurst

Yuasa Battery, which makes products for the electronics industry, has become the latest Japanese company to choose a United Kingdom assisted area for new manufacturing investment. It has plans for a factory in South Wales eventually employing 270 people.

The announcement, made by Yuasa during a visit to Tokyo by Mr Nicholas Edwards, the Secretary of State for Wales, provides another boost for the Government's assisted area policy and follows the decision by Nissan to establish a £300m car manufacturing plant in the United Kingdom.

The arrival of Yuasa, which has selected a site on the Rabbau industrial estate in Ebbw Vale, is seen as adding strength to Welsh attempts to attract the Nissan investment. Mr Edwards had already said during his visit that Wales had four suitable sites although he

stressed that the same level of help and cooperation could be found in other areas of the United Kingdom.

Like the proposed Nissan plant, the Yuasa project will qualify for regional development grants covering 22 per cent of the capital cost plus discretionary assistance under Section 7 of the Industry Act.

Mr Yuichi Yuasa, president of the company, said a definite decision on the plant would be given after the conclusion of negotiations. The "clinging factor" in choosing Wales was the quality of the labour force. The company had considered many countries in Europe, but none could match the high standards of the British workers.

The plan was to employ 140 in the first year rising to 270 and reaching full production by 1982. More than 70 per cent of battery output would be exported to Europe and the United States and most of the

raw materials and equipment would be bought locally.

Mr Edwards, who is leading an industrial mission to Japan, said: "I think it is a great compliment that after looking at so many other countries, the company has chosen to set up a factory in Wales. I know that that has been the experience of other industrialists."

A German company based at Rastatt had told him that production was as high if not higher than in their parent company. "The local people are extremely adaptable and will settle happily into the Japanese style of management," Yuasa produces industrial batteries, security alarm equipment, mini computers and emergency lighting. It is capitalised at £12m and controlled by stockholders such as Yuasa Hardware, Mitsui Life Insurance, Mitsui Bank, Nippon Life Insurance and Mitsui Bank.

New guide to charities accounting methods

By Sylvia Morris

A report published yesterday by the Institute of Chartered Accountants in England and Wales recommends a more consistent approach to accounting methods used by charities.

The report, which includes a survey of 85 of the largest fund raising charities and 50 smaller ones, reveals a wide variety of accounting methods which makes it difficult to compare one with another. Identifying the problem areas, it also sets out guidelines for a more consistent practice.

These are not designed to involve charities in additional effort and expenses. According to Peter Bird and Peter Morgan-Jones, the authors, many charities are already using a lot of effort to produce complex accounts which are difficult to understand.

The suggestions they hope will redirect rather than increase this effort to result in a more intelligible and useful set of accounts.

Financial reporting by charities, Publications Department, The Institute of Chartered Accountants in England and Wales, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London, EC2, Price £8.95.

Union campaign to halt Tate & Lyle closure

By David Felton

Labour Reporter

Five unions in the sugar refining industry yesterday launched a campaign to prevent the closure of Tate & Lyle's Liverpool refinery with the loss of what the unions estimate will be more than 1,500 jobs.

The unions have produced a research document, which has been delivered to Mrs Thatcher, MPs and British members of the European Parliament. It argues that there are alternatives to the closure of the Love Lane refinery, opened more than 100 years ago.

The document calls for a change in EEC rules on sugar production and restrictions on the 150,000-plus tonnes which are imported into Britain each year. In the meantime, while negotiations take place at Brussels on sugar quotas the unions want the Government to provide regional aid to the Liverpool plant.

The unions supporting the campaign are the Association of Scientific Technical and Managerial Staffs, Transport and General Workers, General and Municipal Workers, Amalgamated Union of Engineering Workers and the Electrical, Electronic, Telecommunication and Plumbing Union.

Mr Terence Comerford, an ASTMS national officer, said yesterday that the unions accepted there was over-production in the European sugar refining industry but consumption over the past few years had moved in cycles and the unions did not want the United Kingdom unable to meet increased demands in later years.

He said the unions believed sugar imports were running at about 200,000 tonnes a year, and as the Liverpool refinery had 300,000 tonnes a year capacity, restrictions of imports would have a big effect.

The unions argue that there is room within the United Kingdom sugar market for both Tate & Lyle in its present form and a slimmed down British Sugar Corporation, which has announced plans to close four sugar beet processing factories.

Mr Comerford said the union's research showed that Britain did a substantial amount of trade with cane sugar exporting countries, which could be lost if a decision was taken to cut back on production.

The unions also object to part of Britain's contribution to the EEC budget being used to support the sugar production of other European countries such as France and West Germany whose sugar industries are mainly based on refining home grown beet.

More coal than petroleum used last year

By Nicholas Hirst

Coal consumption in the United Kingdom during 1980 exceeded that of petroleum for the first time in a decade. But both coal and petroleum use declined sharply. Consumption of petroleum showed a 13 per cent fall to 121 million tonnes of coal equivalent—a standard energy measure—and coal falling 5.2 per cent to just under 120 million tonnes.

The fall in energy consumption has hit the coal and electricity industries hard, but allowed the United Kingdom to move into net oil self-sufficiency during the year.

Provisional figures for 1980 in Energy Trends, the Department of Energy's statistical bulletin, underline the problems

into which the National Coal Board has been driven.

Coal consumption in the three months ending in January was down by 7.3 per cent; more than the average drop during 1980 as a whole. Despite a seasonal draw of one million tonnes during January, coal stocks at the end of the month stood at 36.7 million tonnes, which was 10.4 million tonnes higher than a year ago.

The majority of these stocks were being financed by the coal board; the increase in stocks at power stations having risen only 2.5 million tonnes to 17.1 million tonnes.

Prices of coal from the third quarter 1979 to the third quarter 1980 had risen 18 per cent, and imports had risen by

two thirds to 7.3 million tonnes, offset partially by a rise in exports from 2.3 million tonnes to four million tonnes, sometimes made at a loss.

Petroleum demand fell 4.7 per cent last year, but fuel use by power stations fell even more—by 5.9 per cent—indicating an improvement in efficiency. Coal use rose to a record 89.6 million tonnes while oil consumption fell 38.4 per cent to 11.2 million tonnes of coal equivalent.

The big falls in coal consumption were suffered by industry,

whose use fell 15.1 per cent in house coal, which declined 18.6 per cent and in coke ovens for the steel industry, where consumption was 22.9 per cent lower than in 1979.

The largest increase of all energy prices was in sales of gas to industry where prices rose 42 per cent between the third quarter 1979 and the third quarter 1980.

Consumption of natural gas during 1980 fell by 0.4 per cent, but since its introduction in the mid-sixties.

Profit jumps at NEB's vehicle finance arm

By Edward Townsend

Wholesale Vehicle Finance, the National Enterprise Board subsidiary which finances stock held by BL car and van distributors in the United Kingdom, increased its profit in the second year of operations by 75 per cent to £3,505,000.

The company's accounts for 1980, published yesterday, show that before charging interest of £581,250 on loan stock, the average rate of return on shareholders' funds was 22 per cent. This was 4 per cent higher than in 1979 and reflects increased interest rates and higher funding costs.

WVF was set up in 1979 with £100m of loan facilities to enable BL franchise holders to receive vehicles on a sale or return basis, funded by WVF, instead of buying them or paying bulk deposits. The dealers pay a display charge based upon current interest rates plus an operating margin.

The creation of WVF forged closer links between the NEB and City institutions. The Government has recently announced that when the Industry Bill becomes law, ownership of BL will be transferred from the

NEB to the Department of Industry, but Mr Alfred Singer, chairman of WVF, said in his annual statement that "so far as we know there is no proposal for transfer of ownership of WVF."

He added that prompted by the success of the company, a new subsidiary, WVF Commercial, had been formed to offer a stocking scheme for distributors of Leyland Vehicles, the BL bus and truck division.

He said that 1980 was a difficult year for the motor trade with falling sales, extreme price competition and very high interest rates. Although high charges are a problem it is generally recognized that these are due to national and international factors rather than to our own actions since WVF bases its charges on the interest it has to pay.

Prepayment deposits with BL Cars during the year were down to £101,399,000 from £111,501,000 the previous year, but display charges rose to £17,506,000 from £10,206,000. Mr Singer said: "Nineteen eighty has been a year of great events for BL and possibly a turning point in its history."

LETTERS TO THE EDITOR

Oil fund support for industry

From Mr Algy Cluff and others

Sir, The Budget will no doubt confirm the imposition of the proposed supplementary petroleum tax which will raise £1,000m to be used to reduce the public spending borrowing requirement (PSBR).

Apart from the regrettable precedent which this sets, being a levy on gross receipts rather than a tax on profits, much of the hostility both inside and outside the oil industry to this additional tax stems from the belief that it will go into the general revenue of the country and be frittered away rather than being used for the much needed growth of the British industry or being retained as cash flow in the oil industry and used in a number of ways which will in themselves produce benefits, including revenue, for the United Kingdom.

We therefore suggest that the proceeds of the proposed new petroleum tax should go into an Oil Development Fund whose purpose would be to regenerate the industrial life of this country.

The fund should apply itself particularly to the creation of new industries and to those industries and areas which are easily strong in ideas, management and labour but which are now being forced out of business. The fund should be used for the private sector of

industry as a large proportion of resources is already being allocated to the public sector often to the detriment of the private sector.

The fund should seek through new growth to promote employment. The scale of the money available from the proposed supplementary tax should make a considerable impact on these problems. The fund should for example be used to provide finance, on a bigger scale than the present £100m, to enable entrepreneurs to develop new ideas, to help newly formed companies with good products to grow and to assist established companies with reasonable prospects to get through the present recession.

There are of course arguments against the proposal, for example that there are already public sector and private sector organizations which do the same jobs. But the fact remains that despite the resources and efforts being devoted to industry (and there is hopefully more to come in the forthcoming Budget), the development of new industries is being held back and large areas of British industry which should be revived remain weak.

It is of course arguable that it is not another source of finance, however big and flexible, which is needed to revive industry but an end to the

world recession and a change in public sector policies; then a new look lean British industry would emerge ready to take on the world. However, there is little sign of the world recession ending, and it is difficult given the great momentum of public sector activities to get them under control when for years they have been running out of control.

How will it work in practice? We suggest that the controlling board should consist of industrialists and businessmen, including oil men, who can bring the necessary business exposure and flair to the task; that the executive staff should be imaginative and flexible; that the expenditure side of the accounts (for the provision of capital to industry rather than for the salaries and overheads of the fund) should seek annually to equal the income side; that the fund itself, though conducted on sound and not give-away principles, should not seek to make a "profit"; and that the business of the fund should be conducted with a sense of urgency even if that increases the risk.

ALGY CLUFF, MONTY FINNISTON, D. L. LUX, FRANK STEELE, Cluff Oil Limited, 58 St James's Street, London SW1A 1LD.

Business names register

From Miss Elizabeth Stanton

Sir, Today the House of Lords will have the chance to debate a Government proposal which has been condemned as a gravely false economy by lawyers, the business community and consumer organizations. The Companies Bill, if passed, would abolish the Business names register.

The Business names register is the means whereby members of the public can trace the names of the people who are responsible in a firm and if you are in serious dispute, it is essential to have the names and addresses of the individuals concerned, not just their trading name.

The register at present is not very satisfactory as it uses the resources of both civil servants

Share prices and inflation

From Mr Alastair C. Begg

Sir, It is misleading of Mr Jamieson (February 21) to suggest that share prices are indicating a recovery in industrial profitability. In real (ie, inflation-adjusted) terms, the FT Actuaries Industrial Index has risen by only 9 per cent since November 1979, a time when MLR had just been raised to record levels and the outlook was just as bleak as it is today.

Compared with its level at the time of the Government's election, the index has fallen by 4 per cent in nominal terms, and 25 per cent after allowing for inflation. Over the last ten years, the real value of share prices has fallen by almost half.

The argument for examining profits in the light of inflation is by no means spurious. Shareholders have as much right as wage earners to expect their remuneration to grow in line with the average price level.

ALASTAIR C. BEGG, Flat 1, 1 Milroy Avenue, London, N6, February 23.

True level of gas price rise

From Mr Rex Calvert

Sir, The Gas Board announce a price increase of 15 per cent, to be followed by a second increase of 10 per cent. The BBC describe this as a total increase of 25 per cent. To the consumer it will no doubt be 25.5 per cent.

The United States President

proposes three successive tax reductions, each of 10 per cent. These, he says, will amount to 30 per cent. To the beneficiaries the total will surely be no more than 27.1 per cent?

REX CALVERT, 69 Bessley Road, Newmillerdam, West Yorkshire.

Need for a comprehensive energy policy

From Mr Norman Jenkins

Sir, Could I, please, make another plea for energy strategy? Your first leader of February 19 on nuclear disarmament, the letter from Mr Ian Munro of Eurisol in the same issue on one aspect of energy conservation and today's (February 20) piece by Kenneth Owen on heat pumps are all associated but appear doomed to individual assessment. The net consideration is total energy need, priority of effort and the amount of fuel or latent energy we should turn into either heat or power—not necessarily the same as heat and power. It is not energy conservation we need, but comprehensive energy control.

At the press conference your leader refers to, Mr Peter Rest, MP, one of the Energy Select Committee's most active and best informed members, answered a question concerning better uses for the £15,000m involved. He referred to the continuing activities of the committee now examining the case for combined heat and power (CHP). Again, separate consideration of a crucial alternative to either nuclear, maximum insulation (already answered by the Energy Technology Support Unit) or widespread use of heat pumps.

The select committee has had a result that amounts to a series of criticisms of the Department of Energy and the electricity industry—almost for its effrontery in questioning decisions of the specialists. But it is not their kind of constructive criticism just what we need in the way of entirely impartial examination of issues that the lower House at any rate, in common with the rest of the country, tends to leave to the experts? It is becoming increasingly clear to impartial technologists, economists and scientists, as well as industry at large, that none of the nationalized industries can be trusted to formulate their own versions of energy policy without putting their specific interests before those of the consumer or of the nation. Their results are such that they cannot be blamed for the kind of ultimate zeal that is fostered by unlimited resources.

So long as these industries have the power to make independent decisions on priorities, expenditure, consumer tariffs and depletion of reserves, and to use their weight to obstruct such developments as CHP (CHP at Hereford remains in isolation, replication is denied the same source of funds) which promoting heat pumps, there cannot be any balance of these conflicting strategies.

Heat pumps, incidentally, can be and is being misapplied while its need for duplicated heating equipment when the system ceases to function is ignored together with the reflex effect of peak loading encouragement, base load depression eventually increasing base tariffs. It is part of the same story but too long to go into here, nor should I anticipate publication in the near future in a much respected engineering journal.

What Sir J. Dalberg Acton said to Bishop Creighton in 1887, at the very birth of the electricity industry, applies today to shift the quest from disparate but, in this sense of strategy irresponsible industries, to an enlarged select committee may be to create absolute power, there is every hope—and likelihood—that the very nature of the job and its push-pull of inevitable interests would cancel out the power that corrupts absolutely.

Yours faithfully,

NORMAN JENKINS, Whitehall, Ewshot, Farnham, Surrey, GU10 5BS, February 20.

Intelligence of machines

From Professor Donald Michie

Sir, Mr David Torrell's letter (February 20) gives warning that Kenneth Owen's factual account of recent research may encourage superstitious beliefs in intelligence in machines. Provided that Mr Torrell has some reason to think that Owen's readers might swallow something they should not, we must commend his concern to help them avoid it.

Unfortunately, however, Mr Torrell has himself swallowed something that he should not, not from Kenneth Owen's admirable account but, alas, from the names commonly attached to our discipline, "artificial intelligence" or "machine intelligence". We, the practitioners, are to blame for this.

The term "knowledge engineering", which many prefer, is on the other hand satisfactorily descriptive of current accomplishments. These can be described as the transfer of human expertise to machines in one or another domain of mental skill, together with the ability to display and explain the inference chains by which the machine arrives at its conclusions. As Owen makes clear, this new branch of software engineering, which can now be implemented on physically portable micro-computers, is burgeoning wherever the need is felt for "expert systems" able to give concrete aid to in-house experts.

At this point Mr Torrell stubs his toe on a specimen utterance of SRI International's Prospector system, "I am con-

sidering the possibility of a lead/zinc deposit", having confused it with cosmetic chat of the "Hullo Jimmy" type. This utterance is recognisably a fragment churned up from Prospector's self-explanatory facility. If one suspects that he has not Mr Torrell were actually to use an expert system, or even to see one in action, he would soon realize that such self-explanation is not a cosmetic additive, but on the contrary the heart of the system. It is indeed the critical feature differentiating the products of knowledge engineering from software products of standard design.

When such a system can give not only two-way explanations, but also scientific justification of its conclusions, then we may begin to say that in some sense the machine "understands" what it is doing or advising, and hence betrays glimmers of intelligence.

We are, as Mr Torrell notes, a long way from attaining this objective. Yet in some application areas it is a desirable one, for example for intelligent fault diagnosis of complex equipment. It should not be deliberately associated with people's minds with something so plainly undesirable as superstitious credulity.

Better advice would be to resolve to believe it when we see it, and meanwhile keep an eye open on the technical columns of The Times.

DONALD MICHIE, Machine Intelligence Research Unit, University of Edinburgh

THE SCOTTISH MUTUAL ASSURANCE SOCIETY

109 St Vincent Street, Glasgow, G2 5HN

NOTICE IS HEREBY GIVEN that the 98th Annual General Meeting of the Members of The Scottish Mutual Assurance Society will be held within the Central Hotel, Gordon Street, Glasgow, 25th March, 1981 at 12.15 p.m. to approve the Accounts, Balance Sheet and Reports of the Directors and Auditors, to re-elect Directors and to fix the remuneration of the Auditors.

Prints of the Society's Annual Accounts, Balance Sheet and Directors' Report can be obtained by Members at the Head Office of the Society or at any of its Branch Offices.

A Member of the Society entitled to attend and vote at any General Meeting is entitled to appoint another person (who need not be a Member of the Society) to attend and vote instead of him. Proxies must be lodged at the Head Office of the Society not less than 48 hours before the time for holding the Meeting.

Attention of Members wishing to attend is drawn to Regulations 5, 23 and 24 of The Scottish Mutual Assurance Society Act 1952.

By Order of the Board, R. E. MACDONALD, General Manager & Actuary



N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ

Established at The Hague, The Netherlands

(Royal Dutch)

The Supervisory Board and the Board of Management of Royal Dutch Petroleum Company announce that pursuant to the amendment of the Articles of Association which will become effective on 2nd March, 1981, the par value of the shares of N.V. 10 will be changed to N.R. 10.

A stamp will have to be placed on the cover of the bearer share certificates, the text of which is as follows:

Pursuant to the amendment of the Articles of Association of 2nd March, 1981, this share certificate ranks as a certificate for double the number of shares of 10 guilders.

This stamping can be done at the offices of:

N.M. Rothschild & Sons Limited, London.

BY THE FINANCIAL EDITOR

ICI's savage cut

ICI may well have opened a Pandora's box with its decision to cut the dividend so sharply. One thing for sure is that the ramifications will be felt far beyond its Millbank headquarters, even if the shock treatment ICI executives are presumably hoping will help reshape the Government's economic strategy has come too late to produce a rethink towards help for industry in next month's budget.

So far dividend cuts among major groups have been confined to those with very particular trading problems like Tubes and GKN in engineering or Courtaulds in textiles.

Now that one of Britain's most successful companies, widely spread geographically and in product lines, has said that it has no alternative with current Government policies but to cut its payment to shareholders it will become more respectable for finance directors elsewhere to use this route in order to bolster strained balance sheets.

Even though the market was half-expecting ICI to do the unthinkable, the severity of the cut—the 26 per cent reduction in the gross payment to 24.3p a share saving £101m—was as large as in the 1930-31 depression—knocked £160m off ICI's capitalization at one stage and 10 points off the FT index as concern about further dividend cuts more than outweighed the confidence that has been flowing from hopes of a fat cut in interest rates.

Even though the full year figures show that ICI was still trading at a small £6m loss in the seasonally strong final quarter, the overall outturn contained no surprises given the continued slack demand in the chemical industry and sterling's strong performance, especially against the D mark which is the currency in which ICI has to do battle with its major European competitors.

The group reckons that it loses £21m in profits with every penny drop in the DM and after the sharp fall in the German currency last year, ICI argues that it lost £250m. The group's troubles are concentrated in United Kingdom and continental Europe with areas like Australia, Canada and the Far East doing well and within that it is the heavily volume-sensitive fibres, plastics, petrochemicals and organics divisions that have done the damage, although the new North Sea taxes also trimmed back Ninian's contribution to only £97m.

The question that really needs answering is whether ICI has been shortsighted in cutting the dividend. Certainly there is little sign of the appalling trading conditions in the balance sheet where after the liquidity problems of the mid-1960s ICI has taken care to protect its cash position. Working capital has dropped by £110m, liquid resources are unchanged and loans are only 162m higher. Capital spending has been a record to the minimum but ICI is in any case over its cyclical hump.

All the same, faced with further extensive cuts this year, an overall loss of £20m after last year's £150m rationalization costs and a current cost loss of £234m at the bottom line, ICI had little option but to cut. There even now the distribution is only just covered in historical terms, particularly as it can see no sure sign of the upturn in volume or margins that its European competitors are claiming to be experiencing.

Plessey Reincarnation of glamour stock

Plessey's shares—up another 11p yesterday to 317p—have had a remarkable run over the past year and the results have justified this. A rise of nearly two-fifths in the third quarter leaves profits after nine months up by 71 per cent to £60.7m and for the full year £84m looks within reach.

The size of the likely profit rise from 60m the previous year is partly due to recovery from a period affected by strikes and carrying losses on electro-mechanical exchanges and consumer electronics.

Even so, Plessey has been showing real growth and after allowing for currency movements and discontinued operations sales in the nine months have risen by nearly a quarter—well ahead of inflation.

Apart from hydraulics which will lose money this year and microelectronics where profits are sharply down because of rationalization costs and recession, the core businesses—telecommunications and defence—have gone ahead and United Kingdom

profits doubled to £47.4m on the back of Plessey's public sector business.

Defence cuts and cash limits have not had much impact on orders either and the group total was a third higher than a year ago at £1,204m.

The strong cash flow generated in the United Kingdom is reflected in rising interest receipts and internally generated funds will more than cover increased capital spending up from £35m to £48m and leave the balance sheet stronger at the year end.

Assuming a 10 per cent rise in the final dividend the interim—and the dividend may finally be covered under CCA—the yield is 3.4 per cent and the p/e ratio about 20 fully taxed.

Plessey can now support this kind of rating after the turnaround in its fortunes over the past couple of years. But it is clear that the group will now be entering a quieter phase, although steady growth looks assured.

● Tesco released interim figures and a trading statement last November and the latest bulletin from the chairman, Mr Leslie Porter, is substantially a repetition of what was then said.

Even so the shares softened by 1p to 58p yesterday because what was intended to be a reassuring bulletin served only to fuel doubts about the sale and leaseback programme's ability to pay for costly expansion.

It is disclosed that the first arrangement with Royal Insurance covering ten town-centre supermarkets was completed in December for £21.43m, but this comes with the terse addition: "Further transactions have followed in accordance with the planned programme."

The problem is that capital spending is around £110m a year, and the original aim was to raise up to £100m by sale and leaseback.

Pretax profits in the year just ending probably fell from £36.5m to £33m or so, with Tesco suffering with the food retailing sector from costs catching up with food price inflation. But it again stresses rising productivity. MLR cuts would do wonders, and the 6 per cent yield at 58p could yet be the basis of share buying for recovery soon.

Minorco Global power

By injecting into Minorco most of Anglo American and De Beers's important holdings outside South Africa, Mr Harry Oppenheimer has created the world investment vehicle he has long wanted. This is not just another of those internal reshuffles to which Anglo is so prone; it gives a South African company, which is huge by world standards but which has always been constrained by its origins, the means to invest on big scale outside the Republic, and particularly in North America.

This was perhaps the role once envisaged for Charter Consolidated. Now, after the partial disengagement in 1979 and this transfer to Minorco of Anglo's stake in Charter, that company is free of a direct Anglo stake for the first time. Simultaneously, the direct Anglo and De Beers holdings in Consolidated Fields are brought together in one place, although the effective Anglo influence in Cons Gold is not diminished.

Add in the Anglo American Corporation of Canada and Hudson Bay Mining and Smelting stakes, and Minorco's capitalization rises from around \$1,200 to \$2,000m. More important, Minorco's income-earning powers as a holding company are greatly increased. About 75 per cent of its assets were previously in England, a company which although very profitable pays small dividends. The income from Minorco's future much more diverse assets will finance fresh investment without recourse to funds from South Africa.

Shareholders in Minorco, which some have seen just as a way into England, can therefore look forward to strongly rising earnings. Indeed, they are already promised 22 cents a share next year compared with 22 cents this year. Shareholders in Anglo, De Beers and Charter will also benefit from large numbers of shares in Minorco, although because of the issue of Minorco shares Charter's percentage stake falls. Cons Gold may also be a little happier at being thus much distanced from South Africa.

America's monetary control techniques are being put to the test

Can the Fed hit its targets?

Washington

American monetary policy will remain tight, according to Mr Paul Volcker, chairman of the Federal Reserve Board of the United States, who appeared before the Senate banking committee this week.

Making a statement is one thing; achieving declared goals quite another. The Fed is aiming at the money stock of its newly established money stock growth ranges and not the upper limit. It past performance is any guide, it will not realize its ambitions.

Even having the top of the ranges will involve a significant slow-down in the money growth rate from last year's actual performance. How far the board succeeds will determine to no small degree the course of interest rates, the strength of the dollar and the health of the American economy.

The misleading nature of the weekly data makes for difficulties in keeping track of the Fed. New studies show that the M1 numbers, for example, when first published, can be \$3,000m (about £1,300m) wide of the mark, up or down, and that makes, for marked inaccuracies.

Another serious problem is that changes in American financial systems are tending to distort the money stock numbers. For example, the recent changes which permit the establishment of ordinary bank current accounts that pay the same interest rate to depositors as savings accounts, resulted last year in large cuts in M1A, substantial increases in M1B and in M2 (see table for definition of these measures) and the effects this year are difficult to predict.

Faced with unreliable measures and short-term statistics, market operators are going to have to base their opinions and predictions to no small degree upon confidence in the board's ability to hit its targets.

The Fed's aims and basic views are similar to those of most central banks, but its strategies are different. Until October, 1979, it bought or sold reserves to and from the markets with the aim of managing interest rates

MONEY GROWTH TARGET RANGES FOR 1981 AND ACTUAL GROWTH IN 1980

	1981	Actual 1980
M1A	3-5.5%	6.25%
M1B	3-6.5%	6.75%
M2	6-9%	9.8%
M3	6.5-9.5%	9.8%
Bank credit	6-9%	7.9%

Note: M1A is currency plus demand deposits at commercial banks not of deposits due to foreign commercial banks and official institutions. M1B is M1A plus other checkable deposits (ie negotiable order of withdrawal accounts, accounts subject to automatic transfer services, credit union share draft accounts, and savings deposits at mutual savings banks). M2 is M1B plus savings and small denomination time deposits at depository institutions, shares in money market mutual funds, overnight repurchase agreements (RPs) issued by commercial banks, and overnight Eurodollar deposits held by US residents at Caribbean branches of US banks. M3 is M2 plus large time deposits at all depository institutions and term RPs issued by commercial banks and savings and loan associations. Bank credit is total loans and investments of commercial banks.

and holding them to a narrow range consistent with the desired growth of the money aggregates. Success depended on forecasting how much money the public would hold at given interest rates. Its forecasting record was fairly miserable.

In October, 1979, the Fed replaced interest rates as the key to daily market operations by the volume of bank reserves. Its calculations for the various reserves aggregates which fall into line with the target for money growth. The board explains that the paths are calculated on the expected relationship between reserve and the money stock—the so-called reserves-money multiplier.

The Fed points out that "this relationship is variable and not known with certainty because of the differences in reserve requirements on various components of the monetary aggregates which show relative importance from week to week. Moreover, in addition to required reserves, depository institutions

also hold a varying amount of excess reserves. A path for non-borrowed reserves that is calculated by making an allowance for the portion of total reserves expected to be provided through borrowings at the Federal Reserve Bank discount windows."

Things can easily go wrong in making the right calculations with the result that the Fed misses its targets. Experience with the system itself tends to produce better reserves management by the board. But it is not so arrogant as to believe that experience alone will work wonders.

A detailed Fed study has just been completed of how the system has worked in its first year. As a result some changes are likely in operating procedures. The board is likely to be more willing to change the discount rate, or adjust the set paths of non-borrowed reserves more often, when the total levels of reserves are running persistently more strongly or weakly than predicted. The board has also recognized that at times it might be best because of "costly disturbances in domestic financial or foreign exchange markets" to make short-term departures in market operations from the longer-run money stock growth targets.

It says that "uncertainties about the relationship between money and economic performance suggest the desirability of a degree of flexibility in the targets—including the use of ranges for more than one measure of money—and the potential need to alter previously established targets." Studies show that it is impossible by using the present approach to distinguish clearly the effects of Fed action from other economic influences on interest rates. There also seems to be no doubt that in volatile economic conditions the greater the board's efforts at directly controlling very short-term money stock movements, the more likely it is that interest rate levels will jump around.

All things considered the Fed did not do too badly last year. The actual money supply growth rate for each of the money stock measures was only modestly above the targeted upper

limits. Now the Fed has more experience of its techniques, it has analysed its approaches and it is willing to be more flexible and more alert to dangers.

There seem to be solid reasons in light of this to suggest that this year the Fed will come closer than it did in 1980 to meeting its targets. Perhaps it will actually hit the upper limits of the ranges, rather than overshoot them.

The more that market operators come to similar conclusions the greater will be confidence in the longer-term prospects for price stability. This would translate into strength for the dollar in the currency markets and into some reduction in longer-term interest rates. The Fed will get its message in the market when interest rates move up sharply so short-term rates are going to be subject to the interplay between supply of funds from the public and private and governmental demands.

Economic activity in the United States is slowing and inflation continues high, so for the time being it seems likely that the supply of funds will grow little, while loan demand from the private sector will fall. Rates should decline in the short term, even with continued large government borrowing.

But the economy can be expected to move ahead in the summer, particularly if the Reagan tax cuts are enacted. For short-term rates the extent to which the Congress cuts public spending this year will be absolutely crucial. Unless the Congress cuts sharply, then it seems quite reasonable in this era of tight money to expect a prime rate above the recent record level of 21.5 per cent.

The Fed's policies will also mean higher unemployment—as it beats back inflation—unless there is the reduced public borrowing that permits the private sector to borrow at rates that offer a reasonable profit return on productive capital investments.

For these reasons Mr Volcker was correct in telling Senators that their decisions on how much public spending to cut is crucial for the United States economic outlook.

Frank Vogl

Technology

Levitating all the way to the airport

Kenneth Owen

Just as heat pumps can give you something for nothing in terms of energy, magnetic levitation enables you to lift yourself up by your own bootstraps.

(New readers start here: my assertion last week that heat pumps provide more energy than they consume caused a flurry of incredulity, denial, ridicule and abuse from a number of thermodynamically minded correspondents; nonetheless, it is true. For the bootstraps trick you need literally to be electrified; under these conditions this also is true. Now read on.)

Magnetic levitation or "maglev" is a form of vehicle suspension which does away with wheels, springs, dampers and the like. As announced this week, it is being adopted for a shuttle service which will link the new Birmingham Airport, when it opens in 1984, with the nearby National Exhibition Centre and British Rail's Birmingham International station.

This is a short-distance (600 metres), low-speed (30 mph) link, but it uses the same suspension techniques for higher speeds and longer distances has been carried out in other countries, notably Germany and Japan. The Birmingham project could well lead to substantial export business for the industrial consortium that is now taking the individual pieces of technology involved and putting them together into an integrated, working system.

Disabling wheels in favour of magnetic support has an unfortunate consequence, however, in that wheels come in useful also for propelling and braking the vehicle. Thus an alternative "non-contact" means of propulsion and braking is needed; rockets or aero-engines could in theory be used, but the quieter, smoother

and simpler solution of the linear induction motor is preferred.

Pioneered in Britain by Professor Eric Laithwaite of Imperial College, London (and applied with technical success in the National Research Development Corporation's cancelled Tracked Hovercraft project), the linear induction motor is, in a gross oversimplification, a rotary induction motor which is cut and opened out flat.

The motor's stator (outer, stationary part) becomes a series of windings mounted flat on the underside of the vehicle; and the rotor (inner rotating part) is in the form of an aluminium/steel reaction rail laid in the track. When current is fed into the windings, secondary currents are induced in the reaction rail and electrical fluxes are produced which force the vehicle.

As for the magnetic levitation, the vehicle carries a pair of electromagnets slung underneath each corner. The magnets are tucked underneath the T-shaped track, and along each edge of the bar of the T is a steel suspension rail. When the electromagnets are activated they are attracted up towards the rails, lifting the vehicle up by its own magnetic bootstraps so that it is floating on air (or "flying", to quote British Rail, at a height of about half an inch).

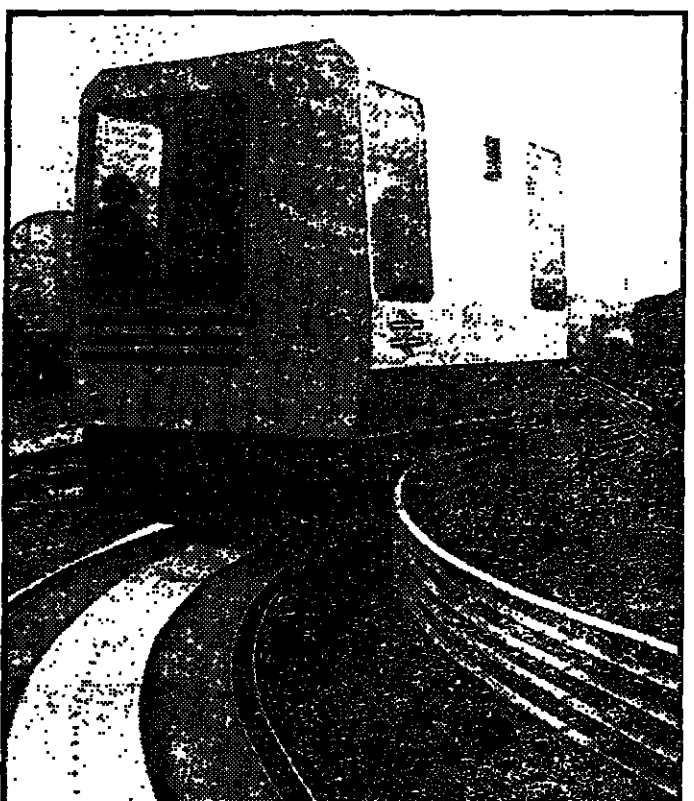
Electrical power is picked-up from conductor rails along the track and direct current is converted into variable-frequency alternating current to energize the magnets for lift and to power the linear motor for thrust.

The Birmingham project is co-sponsored to the tune of about £2.8m by West Midlands County Council, the People Mover Group Consortium, British Rail and the Department of Industry and of Energy. The design is based on experimental work by the research and development division of British Rail at Derby, including the testing of a small vehicle on a special test track which has fairly sharp curves and gradients.

At Birmingham the shuttle link will be owned and operated by West Midlands County Council. The council will also handle the civil engineering work, while the electrical and mechanical work will be done by the People Mover Group consortium.

Within the consortium, GEC Transportation Projects will manage the project and co-ordinate the engineering. The linear motor will be supplied by Brush Electrical Machines, and the magnetic suspension system by GEC Rectifiers (power supply and electronics) and GEC Winton-Kramer (magnets).

Other members of the consortium are GEC-General Signal (automatic train controls and communication systems); Merro-Cammell (vehicle bodies); and Balfour Beatty



British Rail's experimental magnetically suspended vehicle shown here will form the basis of the 30-passenger shuttle cars for the new Birmingham Airport in 1984.

Power Construction (current collection equipment). British Rail's research and development division are technical consultants to the People Mover Group.

Each maglev car will carry from 30 to 48 passengers. They will be whisked between airport terminal and railway station in about 90 seconds.

It is a far cry from the glamorous concepts of the high-speed maglev trains which have been extensively developed in Japan—but it could be the start of significant new business for British industry in the potentially lucrative area of moving people smoothly and efficiently from A to B, where A and B are fairly close together.



ALCAN ALUMINIUM (UK) LIMITED

1980 Audited Annual Results

(for the year ended 31st December 1980)

	1980	1979
Historical Cost Information	£ million	£ million
Sales	335.6	307.3
Added value	96.5	87.8
Trading profit	17.0	17.8
Interest	14.5	11.6
Profit before tax	2.1	6.2
Taxation	1.2	1.1
Profit attributable to Ordinary Shareholders	0.9	5.1
Dividends	1.5	2.9
Funds generated from operations	13.1	15.5
Average capital employed	211.2	200.4
Earnings per £1 Ordinary Share (net)	1.9p	11.5p
Dividend per £1 Ordinary Share	3.3p	6.6p
Number of employees (average)	8,302	8,784
Current Cost Information		
Operating loss	(14.6)	(7.4)
Interest	(14.9)	(11.6)
Gearing adjustment	8.6	7.0
Taxation	(1.2)	(1.1)
Loss attributable to Ordinary Shareholders	(22.1)	(13.1)
Loss per share (net)	(48.8p)	(29.8p)
In arriving at the current cost operating loss, the following adjustments were taken into account:-		
Additional depreciation	24.3	18.5
Cost of sales	5.1	5.5
Monetary working capital	2.2	1.2
	31.6	25.2

The directors do not recommend the payment of a final dividend in respect of the year ended 31st December 1980.

As was anticipated in the interim report for 1980, your Company has opened at a loss in the second half of the year. The business recession in the United Kingdom reduced the overall volume of orders to unacceptable levels, most particularly in the rolled and extruded product areas, while the near time loss of strength of sterling not only against the US dollar, but also vis-à-vis most other currencies, adversely affected margins.

To some extent these trends were offset by improved output from the Limerick smelter, which operated close to capacity in the second half, and by sustained output at Alcan Plant Limited, Kila Green, who are to be congratulated on their achievement in winning the Queens Award for Industry based on increased exports.

Nevertheless, the effect on margins of the conditions mentioned above has been aggravated by continuing inflationary cost increases for money, raw materials, transport, power and bought-in electricity. For the latter two energy commodities your Company, in common with most of British industry, suffers an unacceptable penalty as compared with many of our foreign competitors.

The outlook for 1981 is for continuing losses and for a further significant increase in borrowings due to economic conditions in the United Kingdom. To the current exchange value of the pound and a reduced level of demand in European aluminium markets, and the prospects for resumption of dividend payments in the short term are poor.

(Extract from Chairman's Statement)

Following discussions between the directors of the Company and Alcan Aluminium Limited ("Alcan"), proposals were announced on 18th February, 1981 for the acquisition by Alcan of the 10,000,000 Ordinary Shares in your Company (21.95 per cent of the issued share capital) not already owned by Alcan Europe NV. Having consulted Robert Fleming & Co. Limited, the directors and Robert Fleming & Co. Limited are recommending the proposal to the ordinary shareholders of the Company for acceptance.

Copies of the full Report and Accounts available shortly from Alcan Aluminium (UK) Ltd, c/o Publications Dept., Alcan House, South Sea, Bournemouth, Dorset, BH6 3UL, England.

Business Diary: Caracas, carnivals and carnivores

A quail's throw from the fashionable beach at Caraballeda pelicans are crash-diving into the surf for their breakfast.

They are not the only predators hereabouts. Further out at sea, human takers of fish are themselves being swooped upon by an equally unceremonious one; and an hour away in Caracas the Venezuelan authorities are taking unusual steps to protect another endangered species—the pedestrian.

First, the fishermen: while their counterparts in Britain complain about the threat to their livelihoods from foreign fleets and plummeting prices, the Venezuelans are angry at the lack of protection from pirates. In recent months a number of vessels have been attacked by pirates believed to be operating from anchorages along the southern Caribbean coast from Venezuela to Panama.

Only last week, a Swedish vessel was plundered while fishing off Jamaica. The crew survived, but other have not been so lucky. Two Venezuelan boats and their crews—who were probably fed to the fishes that the pelicans are chasing—have disappeared. Coast guards believe that the boats were approached by pirates. These disguise their intentions by pretending to be in distress rather than flying a skull and crossbones.

The rest is familiar to students of piracy anywhere: the unsuspecting boat is boarded, the crew eliminated and the prize taken by the pirates back to port for respray and resale, just as if it were a knocked-off Mini undergoing transformation in a backstreet garage.



How grim was my valley: traffic thunders through the inaptly-named El Silencio district of central Caracas.

Last week General Jose Diaz Cardenas, director of the armed forces' environmental guard division, admitted that his fleet is inadequately equipped to protect the fishermen, who had earlier gone on strike in protest at their insecurity (and poor prices for their fish, it must be added).

The armed forces have offered to improve patrols, but Diaz Cardenas also wants the navy to ensure that one of their number is always in radio contact with the shore. "Those ships that have been attacked have always been alone and did not have proper radio contact. In both cases it took five days before we knew of the attacks and by that time the pirates were long gone." The pirates on wet land (cars are still splashing through puddles left by unseasonal torrential rain) the authorities in Caracas are trying to get grips with those who prey on

pedestrians—in particular those big and purse snatchers who swoop on their victims from the pillars of motor cycles. As in many South American and southern European cities, this form of motorized crime is a growing menace.

The annual carnival started this week. This, apart from being one almighty thrash for the populace, is often a benefit outing for party criminals. Operation carnival is under way with more than 5,000 civil defence officers assigned to patrol the streets and recreation areas 24 hours a day—to prevent not merely crime but merry-makers from injuring themselves. It occurs regularly during the week-long bash, which has been described as a "true re-creation of the Middle Ages dance of the flesh".

The authorities cannot legislate against crossed husbands and wives, but they are confident that theft by pillion pas-

sengers will be substantially down on previous years. A simple expedient has been adopted—the authorities have banned the carrying of all passengers on the back of motor cycles and say that this has already brought a reduction in juvenile crime.

As may be imagined, this has not gone down well among the two-wheel fraternity, who object that innocent passim—making money shopping or the chica for a spin—are now outlawed.

The police have so far shown no sign of relenting, despite growing pressure to do so. Last week, for example, hundreds of motor cyclists rode through Caracas in a cavalcade of protest against the ban.

It did not work, but a cavalcade of demonstrating drivers could well go unnoticed in Caracas. The oil-rich and petrodollar capital has a chronic traffic problem, despite its excellent four and eight-lane

freeways. In part, this is due to its valley site, which has prevented expansion sideways and forced a nine-mile long sprawl.

The noise of the traffic belies the name given to one of the central areas, El Silencio, and the pollution is sufficiently bad for carbon monoxide to feature in daily newspapers. In the same way that the pollen count does in British newspapers. On one day last week, for example, the Daily Journal reported that there had been 13 parts of carbon monoxide per million of air, against the maximum tolerable level of nine.

No Caracas expects the traffic to flow freely during this time of weeks. The civil defence authorities have urged motorists to take extra care in the maintenance of their cars to prevent breakdowns on street likely to be choc-a-bloc with carnivals.

Meanwhile, Venezuelans have been reassured by Tomas Socias Lopez, president of the Food Chamber, that there will be sufficient quantities of all types of foodstuffs this week. In the past, this has not always been so. The active population has been swelled by immigrants seeking Caracas's streets of gold and the total number living in Venezuela is put variously at between 13 and 20 million. Farming has been unable to keep pace and this has sometimes led to food shortages.

There should be plenty for all during the present carnival. Even the fishing industry director at the ministry of agriculture has announced that there will be adequate supplies of fish and shrimp—enough for people and pelicans.

John Huxley

FINANCIAL NEWS

Stock markets

Late rally after ICI prompts retreat

The market was stopped in its tracks yesterday by news of ICI's first dividend cut since the war.

Immediate reaction to the news was for jobs to mark ICI's share price 20p lower to 270p. In order to stop the expected rush of selling orders, the manoeuvre partially succeeded, but over 4m shares still changed hands and the price dipped to 265p before recovering to 268p, a net loss on the day of 22p.

The rest of the market followed suit as share prices were marked sharply lower cutting short what had been a strong start to the session with the index 2.2 higher at 10 am. Indeed, dealers had been cheered by the apparent settlement of the waterworks' pay dispute and were looking forward to the Budget and hopes of a reflationary package and 3 per cent cut in interest rates.

But the ICI figures put a stop to that. It was only later in the day that Plessey's bumper third-quarter figures, announced at the same time, prompted dealers to rethink the extent of the damage. Plessey rose 11p to 317p.

In the event, supported by new-time buying, the market was able to recoup some of the losses and, having been 10.4 lower at 4pm, the 77 index eventually closed 4.2 off at 497.8.

Business in gilts dried up with prices drifting lower in thin trade. Confidence is still high that there will be a cut

in interest rates before the Budget, but the failure of one to materialize yesterday came as no real surprise. In longer, prices closed 1/4 lower, having fluctuated within narrow limits for most of the day, while in shorts the figure was as much as 1/2.

Leading industrials took the brunt of the upper in ICI, but had recovered much of their poise by the close. Unilever, where figures are due next week, slipped 3p to 483p but nervousness ahead of Fison's figures, due out Monday, clipped 7p from its price at 133p. Falls were also seen in Beecham, 3p to 161p, Dunlop, 1p to 64p, Metal Box, 6p to 136p, Turner & Newall, 3p to 75p, GKN, 3p to 146p and Glaxo, 4p to 274p. Hawker Siddeley resisted the trend with a 2p rise to 286p. Courtaulds at 51p, and Lucas Industries at 183p held steady.

Newcomer British Aerospace succumbed to profit taking and dipped 3p to 175p.

British Sugar ended the day 3p lower at 283p still awaiting the Monopolies report to the bid from S & W Berisford, down 11p at 171p, due out next Tuesday. Lloyds held in to a 1p rise at 101p on the back of its Observer acquisition from Atlantic Richfield, while House of Fraser put on the same at 148p in response to publication of its defence document. But Robertson Food's decision to reject the approach from Avana left the shares 4p lower at 159p.

Letrasat eased 2p to 105p on

news of the sale of its New York auction rooms and following a statement from the board on recent speculative attention.

Tesco softened 1p to 58p on its latest trading review and in engineering, Burnett & Hallamshire improved 25p to 938p on news of an overseas contract while Westland Aircraft hardened 3p to 130p on favourable comment.

Among other companies reporting Grippards dipped 10p to 128p, London Shop Property 2p to 133p, Tace 4p to 26p, Westward Daves 2p to 21p, Ariel Industries 3p to 38p and Spencer Clark 3p to 39p, all following their various trading statements. But bright spots were seen in Footwear Industries 4p to 50p, and Ward Holdings 2p to 55p.

The tight conditions and impressive profits from Plessey ensured a firm finish in the electrical sector. Racal closed unchanged at 363p with GEC recovering most of its earlier losses to close just 3p lower at 645p. Electro-compo-

nents were a strong market rising 10p to 678p with speculative buying coming to the aid of Cray Electronics 6p to 112p and Electronics 8p to 147p.

Oils were still benefiting from the seventh round licences, expected any time. BP advanced 12p to 410p, Shell 8p to 420p, Ultramar 5p to 480p, and Burmah was unchanged at 181p. But falls were seen in Tricentrol, 2p to 310p, Lasso, 3p to 649p and Ranger Oil, 10 to 615p.

In banks, National Westminster made progress in the wake of recent success climbing 3p to 373p, while Barclays on 400p and Lloyds on 330p held steady. But Midland slipped 5p to 331p. Continuing hopes of a bid from Lloyds again lifted Grindlays 5p to 178p.

In properties, lack of interest failed to support share prices and falls were seen in MEPC 6p to 234p, Land Securities 9p to 395p, and Hammons "A" 10p to 635p.

Insurance shares were still subdued by recent disappointing figures from Commercial Union, down 2p to 155p. But by the close prices showed some recovery with General Accident on 312p, GRE on 332p and Sun Alliance on 749p all unchanged. The royal wedding continued to be of some comfort to several of the companies likely to be closely linked with the celebrations. Black & Edington rose 1p to 39p, aided by comment, along with Staffordshire Potteries 1p to 51p while Trusthouse Forte closed unchanged at 204p. But profit taking left Royal Worcester 3p off at 287p, Wade Pottery 4p lower at 50p and Birmingham Mint a similar figure.

Equity turnover on February 25, was £132.264m (18,775 gains). Active stocks yesterday, according to the Exchange Telegraph, were, ICI, Shell, British Aerospace, Fisons, GKN, Cars Gold, Boots, GEC, Metal Box, Vickers, Allied Breweries, Distillers, Ultramar, Marks & Spencer and Commercial Union. Traded Options: Dealers reported another active session with 1,832 contracts recorded of which 101 cannot 574 contracts. Tradition options had a quiet declaration day with calls in British Land on 713p, a put in Plessey on 16p and a double in FNFC on 51p.

Alcan passes final payout as profits tumble to £2m

By Mariareta Pagano

As the minority shareholders of Alcan Aluminium UK are deciding whether to accept the Canadian parent's £12m offer to buy them out, the group has announced that it operated at a loss in the second half last year. The final dividend has been passed.

Yesterday's results showed that the 78 per cent-owned British subsidiary made pretax profits of £2.1m in the year to December against profits of £5.2m last time. Sales were up to £335.6m against £307m. Current cost accounts show that the operating loss was £14.6m, interest charges were £14.9m and, after a gearing adjustment of £3.6m, the attributable loss was £22.1m, compared with £13m last year. Total borrowings now stand at £104.7m, an increase of £13m over 1979.

With the final dividend being passed, the gross payment for the year is 4.7p. Last year's total was 9.42p gross. The shares were suspended on February 3 at 52p on news that the parent was bidding for full control.

Mr Dennis Pinn, the chair-



Mr Dennis Pinn, chairman of Alcan Aluminium.

man, said the results were in line with forecasts made at the interim stage when profits were £7.5m. He said, however, that there would be continued losses in 1981, a significant increase in borrowings and poor prospects for a return to dividend payments in the short term.

The board has recommended shareholders to sell the minority 22 per cent stake at the offer price of 120p a share from

Alcan, Canada. It is held that with its problems, Alcan would be better protected as a wholly owned subsidiary of the company. The stake is held by 2,600 United Kingdom individuals and institutions holding 10m shares out of total issued shares of 44m.

After good first-half figures the decline in demand in the domestic market hit hard in the middle of last year. Although streamlining began in 1979 the group was forced to make 480 redundancies, cutting the workforce to 8,000, and many plants were on short-time working. Most are now back to a five day week.

Overall business volume fell sharply to uneconomic levels, particularly in rolled and extruded products where main customers are the building, motor and packaging industries. Destocking is thought to be over. The effect on profit margins of the strong pound, rising transport, energy, rates and communications costs bit deep. Most of British industry, Mr Pinn said, suffers an "unacceptable penalty" for energy costs compared with foreign competitors.

Receivers named for Whiteley

The share suspension of B S & W Whiteley at 8p three days ago was the prelude yesterday to the appointment of the directors of Whiteley to receivers of the 6 per cent debenture stock 1984-89 of a "serious adverse financial position".

In accordance with the trust deed, Mr Richard Agutter and Mr Guy Parsons, partners in Peat, Marwick, Mitchell, the accountants, have been appointed joint receivers and managers. Already approaches have been received which may lead to offers for parts of Whiteley's business, and the group continues to trade. One such subsidiary is thought to be Post Super Mills at Orley in West Yorkshire. But it is yet too early to say whether ordinary shareholders would get anything. The position could become clearer next week.

Whiteley is an electrical insulating pressboard manufacturer. It's

loss of £10.1m at one time last year. Swiss interests hold 30 per cent of the shares and at the last count Prudential Assurance held a further 7 per cent.

Reorganization at Charterhouse Group

By Roman Eisenstein

Banking Correspondent
The Charterhouse Group, the financial group which owns Charterhouse Japhet, one of the City's accepting houses, is being reorganized. It is now to be run through five distinct operating divisions each headed by its own managing director.

A new appointment is that of Mr Geoffrey Rowett as group chief executive. He is also being appointed deputy chairman of the group in succession to Mr Derek Wilde, who is retiring.

Mr John Hyde, who is to be chairman and chief executive of Charterhouse Japhet, is taking up his post on April 1. Aged 53, he has been chief executive of Chemical Bank International since 1977. Mr Hyde is to be responsible for the implementation of the merger with Keyser Ullmann agreed last year.

A new appointment is that of Mr Michael Morley as managing director of the corporate investments division which embraces the group's 25 fully owned subsidiaries and long-term investments.

AEG loss three times larger than forecast

By Roman Eisenstein

Banking Correspondent
AEG-Telefunken, West Germany's second largest electrical group, recorded a loss of DM300m (£63.8m) in 1980, larger than the forecast loss of DM100m, but lower than the DM650m lost in 1979.

The company attributed 1980's loss mainly to extraordinary and unexpected costs arising from efforts to restructure the group and return it to profitability.

It said it expected 1981 sales to grow beyond the 1980 figure of DM15,000m, but added that growth would not match 1980's

6 per cent increase over 1979 sales. It said it expected the fall in value of the Deutsche mark to offset high interest rates and economic recession at home and abroad in 1981.

Domestic sales rose by 10 per cent to DM8,700m, while foreign sales rose by 5 per cent to DM6,300m.

Loss of \$81m at Massey

By Roman Eisenstein

Banking Correspondent
Massey-Ferguson yesterday reported a first-quarter net loss of US\$81.4m (£36.7m), but said it expected progressive improvement during the remaining three quarters.

The loss for the three months to January 31 compares with a \$12.6m loss a year ago and is made up of an operating net loss of \$10.1m and an exchange gain of \$20.5m. The 1980 loss

included exchange losses of \$31.3m.

Massey announced in December that it expected a loss of \$100m, but lower than the \$100m lost in 1979.

The company attributed 1980's loss mainly to extraordinary and unexpected costs arising from efforts to restructure the group and return it to profitability.

It said it expected 1981 sales to grow beyond the 1980 figure of DM15,000m, but added that growth would not match 1980's

Lend Lease improves

By Roman Eisenstein

Banking Correspondent
Lend Lease Corporation, Australia's largest property development and management group, lifted consolidated operating profit after tax by 15.6 per cent to A\$11m (£5.5m) for the six months to last December.

Revenue for the six months increased by 11.8 per cent and A\$203.5m while investment and

other income was steady at A\$22m.

The interim dividend has been maintained at 7.5 cents, in line with the 15 cents paid for the full 1979-80 year.

The directors expect that operating profit for the full year will be not less than A\$23m, which compares with A\$20.35m for 1979-80.

Briefly

Whitley Bay Entertainment: Wise Speke and company have acquired a further 440 shares on behalf of 280 in the market.

Thomas Walker: Turnover for half year to December 31 1980 (£269,000). Pretax profit, £52,000 (£66,500). EPS 0.97p (0.88p). Interim dividend at 0.24p gross.

Allebone and Sons has issued a statement saying they are not aware of any special circumstances to explain the recent sharp rise in the price of the company's shares. The shares rose steeply on Tuesday.

Spencer Clark Metal Inds: Mr D. M. Howarth, chairman, told the annual meeting that the company's trading situation had deteriorated further and it was now trading at best in a break-even situation. He was still optimistic that this position would improve over the next few months.

London Shop Property Trust: has announced an interim dividend of 1.0p, payable on April 30.

John Madland Holdings: No dividend on ordinary shares for year to October 31. Turnover £4,76m (£3,970m). Pretax profit £514,000 (£398,000). EPS 12.6p (8.7p).

Westwood Daves: Turnover for year to December 31 £2,451m (£2.2m). Pretax profit £91 (£122,000). EPS 1.13p (4.48p). No div for year (£2.5p net). CCA pretax loss £21,000.

Capital and National Trust: Net revenue for half year to January 31 £483,000 (£571,500) after tax. Nav per share 213.2p (179.5p). Interim, 2.25p already announced.

St James's Advertising & Publishing is changing its name to St James's Corporate Communications, and moving offices to St James's House, 42, Ranelagh Court, London EC4A 3EB.

British Assets Trust: Directors have declared a first quarterly interim dividend on the ordinary shares of 0.95p per share payable on March 2, 1981. The company has repaid a loan of \$16m.

Court ruling on Bonnerpark deal

After a High Court ruling yesterday, the Royco land and property group will become a wholly owned subsidiary of the private Bonnerpark group, run by property millionaire Mr Roy Strudwick.

Bonnerpark, which already owns 75 per cent of the ordinary shares of Royco, has offered 60p for the cancellation of each of the remaining shares. But the scheme, which has been opposed by some Royco shareholders since the first bid last January, was again rejected by Mr Malcolm Douglas, chairman of Willowgreen, holding 35,000 shares.

M. J. H. Nightingale & Co. Limited
27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

The Over-the-Counter Market

11.00 AM

Company Price Change Dividend Yld P 5

75 39 Airsprung Group 64 -1 6.7 10.5 5.8

44 21 Armitage & Rhodes 42 - 1.4 3.3 17.3

192 921 Bardon Hill 189 - 9.7 5.1 7.1

98 88 Deborah Services 95 - 5.5 5.8 4.7

126 88 Frank Horsell 106 - 6.4 6.0 3.3

110 51 Frederick Parker 51 - 11.0 21.6 2.3

110 74 George Blair 75 - 3.1 4.1 -

110 59 Jackson Group 107 - 6.9 6.4 4.1

124 103 James Burrough 119 - 7.9 6.6 9.8

334 244 Robert Jenkins 330 - 31.3 9.5 -

55 50 Scruttons "A" 54 - 5.3 9.8 3.9

224 215 Torday Limited 216 - 15.1 7.0 3.7

23 10 Twinklford Ltd 11 - 1 -

90 69 Twinklford 15; ULS 71 - 15.0 21.1 -

56 35 Unilock Holdings 43 - 3.0 7.0 6.6

103 81 Walter Alexander 103 - 5.7 5.5 5.7

263 181 W. S. Yeates 260 - 12.1 4.7 4.2

Squeeze on margins hits Brown Brothers

Brown Brothers Corporation suffered with everybody else By Rosemary Unsworth

associated with the motor trade in its first half and profits crashed by £1.7m. Although turnover remained fairly steady at £43.7m compared with the previous year's £47.1m, margins were forced sharply down and pretax profits fell from £1.85m to £153,000 in the six months to December 31. The interim dividend has been passed. Last year Brown paid an interim of 1.43p gross.

Interest charges rose steeply during the period from £470,000 to £607,000 as borrowings climbed from £3.8m to £6.4m. Stocks increased by £900,000, although compared with the year end they have fallen.

Sir Montague Prichard, the chairman, said that trading conditions continue to be very difficult and no relief can be foreseen in the immediate future.

The group has made 400 workers redundant in its engineering and distribution subsidiaries. The cuts are reflected in the figures. Brown Brothers Engineering losses worsened in the six months although the retail trading company performed well.

However, parts of the motor trade distribution operation, such as replacement parts, had a reasonable six months and the group said that although it was taking steps to improve efficiency it was reluctant to close down branches which have been carefully built up, to avoid damaging future prospects.

Dana Corporation, which has a 69 per cent stake, is changing its year end and Brown's board will alter its accounting period accordingly.

The present accounting period will therefore run for 16 months to October 31, 1981, and unaudited results for the 12 months to June 1981 will be published in September.

Sharp rise in first half at Footwear

By Our Financial Staff

Footwear Industries' investments, the shoe manufacturer, increased its interim pretax profits from £83,000 to £255,000. The dividend has been maintained at 2.2p gross.

Mr Monty Sumray, the company's chairman, points out that the results for the six months to the end of last November should be seen against the background of a depressed previous first half.

In the last financial year Footwear had a net £810,000 on factory closures and reorganization. But Mr Sumray says that the benefits are now showing through in profits, although turnover is down from £6.2m to £5.79m.

After-tax profits were £20,000, compared with £40,000, giving earnings a share of 3.2p against 1.9p. Pretax profits for the last full year were £321,000, with a substantial improvement coming in the second half.

The shoe factories in Wales were the main source of the profits increase. Footwear has a big order to make ladies shoes for Marks & Spencer. The company also benefited from high interest rates on its £1.25m cash balances.

Mr Sumray said that merchandising orders for Quality Shoes, whose manufacturing operations were closed as part of the reorganization last year, are picking up. He expects merchandising to make a good contribution to profits in the next financial year.

JOINT COMPANY ANNOUNCEMENT

MINERALS AND RESOURCES CORPORATION LIMITED (MINORCO)

(Incorporated in Bermuda)

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED (AAC)

(Incorporated in the Republic of South Africa)

DE BEERS CONSOLIDATED MINES LIMITED (DE BEERS)

(Incorporated in the Republic of South Africa)

CHARTER CONSOLIDATED LIMITED (CHARTER)

(Incorporated in England)

(together referred to as "the companies")

The boards of directors of the companies announce that, subject to the approval of Minorco shareholders and other necessary consents being received, agreement has been reached on certain proposals developed in consultation between the companies.

The aim of the proposals is to enlarge the asset base of Minorco thereby reinforcing its position as an international mining finance group with a better balanced and diversified portfolio of strategic investments. This in turn will further strengthen the investments of AAC, De Beers and Charter in Minorco.

The proposals will be achieved by the acquisition by Minorco of substantial holdings in Consolidated Gold Fields Limited (Consolidated) and Charter and, through an additional shareholding in Anglo American Corporation of Canada Limited (Amcan), a further indirect interest in Hudson Bay Mining and Smelting Co., Limited (Hudbay), three major natural resource and industrial groups holding widespread international investments.

SUMMARY OF THE PROPOSALS

An overall summary of the proposals as they affect each of the companies, and their inter-related effect, is as follows:

Minorco

(i) PROPOSED TRANSFERS OF ASSETS TO MINORCO

- £3,983,750 ordinary shares of Consogold (representing an interest of 28.9 per cent);
- 37,546,075 ordinary shares of Charter (representing an interest of 35.8 per cent); and
- all the ordinary shares and promissory notes of Amcan not already owned by Minorco (thereby making Amcan a wholly-owned subsidiary of Minorco and increasing Minorco's interest in Hudbay, Amcan's major investment, to 44.8 per cent).

(ii) PROPOSED SETTLEMENT BY MINORCO

In consideration for the above transfers of assets, valued in aggregate at US\$807.436 million it is proposed that Minorco will issue a total of 59,326,640 ordinary shares which would represent an increase of 59.4 per cent in Minorco's issued share capital. This aggregate value has been determined by valuing listed investments at the average of their market values during the four week period ended 24th February, 1981 and unlisted investments at agreed valuations. The issue price of the new Minorco shares is based on its average market value during the same four week period.

The new shares to be issued by Minorco will not qualify for the interim dividend of 6 US cents per share declared by Minorco in respect of the six month period ended 31 December 1980 but will rank pari passu in all other respects with the existing issued ordinary shares. Subject to these proposals being implemented, and to no unforeseen circumstances arising, Minorco intends to declare a final dividend of 16 US cents per share in respect of the financial year ending 30 June 1981 and total dividends of at least 30 US cents per share in respect of the financial year ending 30 June 1982.

AAC and its associate

It is proposed that AAC will transfer its investment in the undermentioned assets to Minorco:

- 28,991,876 ordinary shares of Consogold;
- 37,546,075 ordinary shares of Charter; and
- 29,000 special class shares and Canadian \$10,064,835 promissory notes of Amcan.

In consideration for the above, it is proposed that Minorco will issue to AAC 36,305,850 new ordinary shares of Minorco. An associate of AAC will transfer to Minorco its 7,250 special class shares and Canadian \$2,894,085 promissory notes of Amcan in consideration for the issue to it of 588,708 new ordinary shares of Minorco.

De Beers

It is proposed that De Beers will transfer its investment in the undermentioned assets to Minorco:

- 28,991,876 ordinary shares of Consogold; and
- 14,500 special class shares of Amcan.

In consideration for the above, it is proposed that Minorco will issue to De Beers 21,307,265 new ordinary shares of Minorco.

Charter

It is proposed that Charter will transfer to Minorco its 13,852 special class shares and Canadian \$4,779,179 promissory notes of Amcan in consideration for the issue to it of 1,124,797 new ordinary shares of Minorco.

EFFECTS OF THE PROPOSALS

On Minorco

For Minorco the principal results of these proposals will be the acquisition of important interests in the following mining finance and natural resources organisations:

- Consogold, a United Kingdom-based group whose principal activities relate to the development of natural resources and include the financing and management of subsidiaries and associated companies. These companies operate in the fields of mining, exploration, construction materials, manufacturing and commerce and hold strategic investments in the United Kingdom and Europe, South Africa, the United States and Canada, and Australia. The largest contribution to Consogold's profits is from gold mining both directly in South Africa gold mines and indirectly through its 46 per cent interest in Gold Fields of South Africa Limited, a mining finance house with a portfolio of investments, principally in gold mining companies and to a lesser extent in companies engaged in the mining and processing of base metals and minerals and in finance, industry and property.

Charter, a United Kingdom-based group engaged in the financing and development of mining operations and industrial companies. The activities of the industrial companies include metal refining and the manufacture of mining equipment, building and insulation products, refrigeration and heating equipment and railway track components. A subsidiary has recently announced its participation in a joint venture to acquire the leading supplier of rail track re-profiling services in the United States. The mining interests relate mainly to wolfram mining in Portugal and France, tin mining in Malaysia, potash mining in the United Kingdom and the mining of zinc and lead in the Republic of Ireland. On 25 February 1981 Charter announced agreement (subject to fulfilment of certain conditions) with the British Petroleum group for the acquisition by Charter of the Alexander Shand group of companies (Shand) which is a leading producer of open-cast coal under contract to the National Coal Board in the United Kingdom, and is also involved in building, civil and mechanical engineering and related activities. It is planned to develop Shand's open-cast coal operations in the United States and elsewhere.

Bigger loss at A I Industrial

By Our Financial Staff

AI Industrial Products, formerly Allied Insulators, has reported losses for the second successive year and the company is forecasting a further loss for the first half of this year. A statement says that it is difficult to forecast beyond then. "But a modest upturn in sales volume during the second half year should be sufficient to generate a profit for that period."

Losses for 1980 were \$1.83m after tax and extraordinary losses of \$890,000. This compares with a \$35,000 profit in

1979. Before tax and extraordinary items, losses jumped from \$155,000 to \$907,000. Sales have remained virtually static at \$19.4m. A final dividend of £19.4m. A share is being proposed as the only payment for the year. It is only being paid to keep the company's trustee status.

The chairman, Mr A. Lloyd, says that during 1980 demand fell sharply, particularly in the final quarter of the year. This resulted in even more difficult trading conditions in the second half of the year. In the first half the losses were only £149,000.

The company has embarked upon a major restructuring programme which has been beset by major redundancies and extensive short time working. Redundancy payments alone cost the company more than £350,000.

Most of the group's divisions have suffered from low demand for their products. At the high tension division, margins remain under pressure essentially because of the strength of the suffer from low losses have not been significant.

The low tension division, which is involved in refractory products, operates with "considerable" short time working and the company is concerned for refractory products.

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